SOCIALLY RESPONSIBLE OUTSOURCING

GLOBAL SOURCING WITH SOCIAL IMPACT

EDITED BY BRIAN NICHOLSON,
RON BABIN AND MARY C. LACITY

TECHNOLOGY, WORK AND GLOBALIZATION

Technology, Work and Globalization

The Technology, Work and Globalization series was developed to provide policy makers, workers, managers, academics and students with a deeper understanding of the complex interlinks and influences between technological developments, including information and communication technologies, work organizations and patterns of globalization. The mission of the series is to disseminate rich knowledge based on deep research about relevant issues surrounding the globalization of work that is spawned by technology.

Also in the series:

MATERIALITY AND SPACE
Organizations, Artefacts and Practices
Francois-Xavier de Vaujany and Nathalie Mitev

HUMANIZING THE WEB
Harri Oinas-Kukkonen and Henry Oinas-Kukkonen

MANAGING CHANGE IN IT OUTSOURCING
Albert Plugge

ADVANCED OUTSOURCING PRACTICE
Mary C. Lacity and Leslie P. Willcocks

ENTERPRISE MOBILITY
Carsten Sørensen

GLOBAL SOURCING OF BUSINESS AND IT SERVICES
Leslie P. Willcocks and Mary C. Lacity

ICT AND INNOVATION IN THE PUBLIC SECTOR
Francesco Contini and Giovan Francesco Lanzara

EXPLORING VIRTUALITY WITHIN AND BEYOND ORGANIZATIONS
Niki Panteli and Mike Chaisson

KNOWLEDGE PROCESSES IN GLOBALLY DISTRIBUTED CONTEXTS
Julia Kotlarsky, Ilan Oshri and Paul C. van Fenema

GLOBAL CHALLENGES FOR IDENTITY POLICIES
Edgar Whitley and Ian Hosein

E-GOVERNANCE FOR DEVELOPMENT
A Focus on India
Shirin Madon

OFFSHORE OUTSOURCING OF IT WORK
Mary C. Lacity and Joseph W. Rottman

OUTSOURCING GLOBAL SERVICES
Ilan Oshri, Julia Kotlarsky and Leslie P. Willcocks

BRICOLAGE, CARE AND INFORMATION
Chrisanthi Avgerou, Giovan Francesco Lanzara and Leslie Wilcocks

E-GOVERNANCE FOR DEVELOPMENT
Shirin Madon

CHINA'S EMERGING OUTSOURCING CAPABILITIES
Mary C. Lacity, Leslie P. Willcocks and Yingqin Zheng

GOVERNING THROUGH TECHNOLOGY
Information Nets and Social Practice
Jannis Kallinikos

THE OUTSOURCING ENTERPRISE
From Cost Management to Collaborative Innovation
Leslie P. Willcocks, Sara Cullen and Andrew Craig

COLLABORATION IN OUTSOURCING
A Journey to Quality
Sjaak Brinkkemper and Slinger Jansen

SUSTAINABLE GLOBAL OUTSOURCING
Ron Babin and Brian Nicholson

SOUTH AFRICA'S BPO SERVICE ADVANTAGE
Becoming Strategic in the Global Marketplace
Leslie P. Willcocks, Mary C. Lacity and Andrew Craig

MATERIALITY AND TIME
Historical Perspectives on Organizations, Artefacts and Practices
François-Xavier de Vaujany, Nathalie Mitev, Pierre Laniray and Emmanuelle Vaast

MATERIALITY, RULES AND REGULATION
New Trends in Management and Organization Studies
François-Xavier de Vaujany, Nathanlie Mitev, Giovan Francesco Lanzara and Anouk Mukherjee

---

Technology, Work and Globalization

Series Standing Order ISBN 978-0-230-01873-0 (hardback)
(*outside North America only*)

You can receive future titles in this series as they are published by placing a standing order. Please contact your bookseller or, in case of difficulty, write to us at the address below with your name and address, the title of the series and the ISBN quoted above.

Customer Services Department, Macmillan Distribution Ltd, Houndmills, Basingstoke, Hampshire RG21 6XS, England

---

Socially Responsible Outsourcing

Global Sourcing with Social Impact

Edited by

Brian Nicholson
Manchester Business School, UK

Ron Babin
Ryerson University, Canada

Mary C. Lacity
University of Missouri-St Louis, USA

palgrave
macmillan

SOCIALLY RESPONSIBLE OUTSOURCING: GLOBAL SOURCING WITH SOCIAL IMPACT

First published 2016 by
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of Nature America, Inc., One New York Plaza, Suite 4500 New York, NY 10004–1562.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

ISBN 978-1-137-55728-5 ISBN 978-1-137-55729-2 (eBook)
DOI 10.1057/9781137557292

Distribution in the UK, Europe and the rest of the world is by Palgrave Macmillan®, a division of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Library of Congress Cataloging-in-Publication Data is available from the Library of Congress

A catalog record for this book is available from the Library of Congress

Library of Congress Cataloging-in-Publication Data

Names: Lacity, Mary Cecelia, author. | Nicholson, Brian, author. | Babin, Ronald P., author.

Title: Socially responsible outsourcing : global sourcing with social impact / Mary C. Lacity, University of Missouri, USA, Brian Nicholson, Manchester Business School, UK, Ron Babin, Ryerson University, Canada.

Description: New York : Palgrave Macmillan, 2016. | Includes bibliographical references and index.

Identifiers: LCCN 2015040548 | ISBN 9781137557285 (hardback)

Subjects: LCSH: Offshore outsourcing. | Social responsibility of business.

Classification: LCC HD2365 .L336 2016 | DDC 658.4/058—dc23

LC record available at http://lccn.loc.gov/2015040548

Contents

List of Figures

List of Tables

Foreword

Socially responsible sourcing is a natural extension of how the global sourcing industry is currently evolving. In short, it builds upon the maturation of an organization's abilities to develop talent and can offer incremental benefits over other models. There is often a solid business case for it, ***plus*** it contributes to the advancement of labor pools and their impact on communities.

Developing talent

Over the past 20 years, the rise of the global sourcing industry – both outsourcing and shared services models – has led many organizations to adopt and optimize new approaches for accessing, developing, and managing talent. As a starting point, most organizations have preferred to utilize talent that they believe is equal or more capable than any previous talent that may have been displaced by adopting a new service delivery model. This preference has been true for both onshore and offshore talent models. But in most cases, the different talent pools are not necessarily better in all dimensions, which then requires specific interventions to enhance and align their capabilities to the required work.

In the process of adopting these new talent models, the industry and individual organizations have become more sophisticated in how they train and develop the talent they need. They have also become more intentional about designing and managing career paths, as well as predicting what type of talent is most likely to succeed in their model. In short, human capital management has advanced along many dimensions as new service models are deployed across a variety of work types, locations, and operating models.

In the quest to optimize their talent models, a surprising number of organizations are already pursuing socially responsible sourcing – often without even realizing it. In Everest Group's research in this area, conducted along with The Rockefeller Foundation, we call this "unintentional" social impact sourcing. Organizations have naturally moved towards these models because the pressures to access more talent and retain it leads them to explore new sources of talent – and often integrate these new employees into their traditional model. The training and development programs may be somewhat different, but these workers end up fitting into the normal operating model.

In our view, underutilized talent pools are an essential ingredient for optimizing the talent models for service delivery. And often disadvantaged groups are both underutilized and eager, qualities that often qualify them for success in the right construct. This applies across many different types of groups, such as those lacking economic or educational opportunities, socially marginalized groups, military veterans and their families with limited ability to follow traditional career paths, physically limited individuals, and others.

Benefits

Beyond just being available for work, the talent pools for socially responsible sourcing can provide unique benefits which make for an attractive business case. In some cases, they may have knowledge or experience that helps them better understand the work they are doing and complete it more effectively. For example, those with certain medical conditions or diseases can be helpful in providing contact center services that support corresponding medical devices and services.

However, the dominant benefit we observe across socially responsible talent pools is that the workers value the opportunity more – which results in greater levels of motivation and lower rates of attrition. When the right group is lined up against the right type of work with the right type of training, there is a tremendous benefit. Lower attrition and a more motivated workforce help address many of the pain points that are common in the global sourcing industry. Further, this can provide real financial benefits that lower the total cost of employment for an organization with a socially responsible talent pool.

Social impact

Although we believe there are many business forces that should lead organizations to adopt socially responsible sourcing, there is the added benefit of it having a positive social impact. This applies to the individual, his or her family, and the broader community. More successful families and communities benefit everyone.

Socially responsible sourcing does require an organization to carefully think about its needs and how those can be met through alternative talent pools. Socially responsible sourcing will not be applicable in every situation, but it is clearly a viable and valuable alternative in many situations. We have also observed that organizations with successful programs can often attain a more sustainable and differentiated service delivery model than through typical approaches.

* * *

This is an important topic for the industry. *Socially Responsible Outsourcing: Global Sourcing with Social Impact* helps illuminate the benefits and challenges of socially responsible sourcing. It brings many real-world examples to life for organizations seeking to learn more about the possibilities which, in turn, can stimulate more creative thinking about where they might adopt the model.

Eric Simonson, Managing Partner of Research
Everest Group
Dallas, TX

Series Preface

We launched this series in 2006 to provide policy makers, workers, managers, academics and students a deeper understanding of the complex interlinks and influences among technological developments, including in information and communication technologies (ICT), work, organizations and globalization. We have always felt that technology is all too often positioned as the welcome driver of globalization. The popular press neatly packages technology's influence on globalization with snappy sound bites, such as "Any work that can be digitized will be globally sourced." Cover stories report Indians doing US tax returns, Moroccans developing software for the French, Filipinos and South Africans answering UK customer service calls, and the Chinese doing everything for everybody. Most glossy cover stories assume that all globalization is progressive, seamless, intractable, and leads to unmitigated good. But what we are experiencing in the twenty-first century in terms of the interrelationships between technology, work and globalization are both profound and highly complex.

The mission of this series is to disseminate rich knowledge based on deep research about relevant issues surrounding the globalization of work that is spawned by technology. To us, substantial research on globalization considers multiple perspectives and levels of analyses. We seek to publish research based on in-depth study of developments in technology, work and globalization and their impacts on and relationships with individuals, organizations, industries and countries. We welcome perspectives from business, economics, sociology, public policy, cultural studies, law and other disciplines that contemplate both larger trends and micro-developments from Asian, African, Australian, Latin American, as well as North American and European viewpoints.

As of this writing, we have 22 published/forthcoming books. These books are introduced below:

1. *Global Sourcing of Business and IT Services* by Leslie P. Willcocks and Mary C. Lacity is the first book in the series. The book is based on over 1000 interviews with clients, providers and advisers and 15 years of study. The specific focus is on developments in outsourcing, offshoring and mixed sourcing practices from client and provider perspectives in a globalizing world. We found many organizations struggling. We also found some organizations adeptly creating global sourcing networks that are agile, effective and cost-efficient. But they did so only after a tremendous amount of trial and error and close attention to details. All our participant organizations acted in a

context of fast-moving technology, rapid development of supply-side offerings, and ever-changing economic conditions.

2. *Knowledge Processes in Globally Distributed Contexts* by Julia Kotlarsky, Ilan Oshri and Paul van Fenema examines the management of knowledge processes of global knowledge workers. Based on substantial case studies and interviews, the authors – along with their network of co-authors – provide frameworks, practices and tools that consider how to develop, coordinate and manage knowledge processes in order to create synergetic value in globally distributed contexts. Chapters address knowledge sharing, social ties, transactive memory, imperative learning, work division and many other social and organizational practices to ensure successful collaboration in globally distributed teams.
3. *Offshore Outsourcing of IT Work* by Mary C. Lacity and Joseph W. Rottman explores the practices for successfully outsourcing IT work from Western clients to offshore providers. Based on over 200 interviews with 26 Western clients and their offshore providers in India, China and Canada, the book details client-side roles of chief information officers, program management officers and project managers and identifies project characteristics that differentiated successful from unsuccessful projects. The authors examine ten engagement models for moving IT work offshore and describe proven practices to ensure that offshore outsourcing is successful for both client and provider organizations.
4. *Exploring Virtuality Within and Beyond Organizations* by Niki Panteli and Mike Chiasson argues that there has been a limited conceptualization of virtuality and its implications on the management of organizations. Based on illustrative cases, empirical studies and theorizing on virtuality, this book goes beyond the simple comparison between the virtual and the traditional to explore the different types, dimensions and perspectives of virtuality. Almost all organizations are virtual, but they differ theoretically and substantively in their virtuality. By exploring and understanding these differences, researchers and practitioners gain a deeper understanding of the past, present and future possibilities of virtuality. The collection is designed to be indicative of current thinking and approaches, and provides a rich basis for further research and reflection in this important area of management and information systems research and practice.
5. *ICT and Innovation in the Public Sector* by Francesco Contini and Giovan Francesco Lanzara examines the theoretical and practical issues of implementing innovative ICT solutions in the public sector. The book is based on a major research project sponsored and funded by the Italian government (Ministry of University and Research) and coordinated by Italy's National Research Council and the University of Bologna during 2002–2006. The authors, along with a number of co-authors, explore the complex interplay between technology and

institutions, drawing on multiple theoretical traditions such as institutional analysis, actor network theory, social systems theory, organization theory and transaction costs economics. Detailed case studies offer realistic and rich lessons. These cases studies include e-justice in Italy and Finland, e-bureaucracy in Austria, and Money Claim On-Line in England and Wales.

6. *Outsourcing Global Services: Knowledge, Innovation, and Social Capital* edited by Ilan Oshri, Julia Kotlarsky and Leslie P. Willcocks assembles the best work from the active participants in the *Information Systems Workshop on Global Sourcing* which began in 2007 in Val d'Isere, France. Because the quality of the contributions was exceptional, we invited the program chairs to edit a book based on the best papers at the conference. The collection provides in-depth insights into the practices that lead to success in outsourcing global services. Written by internationally acclaimed academics, it covers best practices on IT outsourcing, business process outsourcing and netsourcing.
7. *Global Challenges for Identity Policies* by Edgar Whitley and Ian Hosein provides a perfect fit for the series in that the authors examine identity policies for modern societies in terms of the political, technical and managerial issues needed to prevent identity fraud and theft. The scale of the problem exceeds political boundaries and the authors cover national identity policies in Europe and the rest of the world. Much of the book provides in-depth discussion and analysis of the United Kingdom's National Identity Scheme. The authors provide recommendations for identity and technical policies.
8. *E-Governance for Development* by Shirin Madon examines the rapid proliferation of e-Governance projects aimed at introducing ICT to improve systems of governance and thereby to promote development. In this book the author unpacks the theoretical concepts of development and governance in order to propose an alternative conceptual framework which encourages a deeper understanding of macro- and micro-level political, social and administrative processes within which e-Governance projects are implemented. The book draws on more than 15 years of research in India during which time many changes have occurred in terms of the country's development ideology, governance reform strategy and ICT deployment.
9. *Bricolage, Care and Information Systems*, edited by Chrisanthi Avgerou, Giovan Francesco Lanzara and Leslie P. Willcocks, celebrates Claudio Ciborra's *Legacy in Information Systems Research*. Claudio Ciborra was one of the most innovative thinkers in the field of information systems. He was one of the first scholars who introduced institutional economics in the study of IS; he elaborated new concepts, such as "the platform organization," "formative contexts" and contributed to the development of a new perspective altogether through Heideggerian phenomenology. This book contains the most seminal work of Claudio Ciborra and work of other authors who were inspired by his work and built upon it.

10. *China's Emerging Outsourcing Capabilities*, edited by Mary C. Lacity, Leslie P. Willcocks and Yingqin Zheng, marks the tenth book in the series. The Chinese government has assigned a high priority to science and technology as its future growth sectors. China has a national plan to expand the information technology outsourcing (ITO) and business process outsourcing (BPO) sectors. Beyond the hopes of its leaders, is China ready to compete in the global ITO and BPO markets? Western companies are increasingly interested in extending their global network of ITO and BPO services beyond India and want to learn more about China's ITO and BPO capabilities. In this book we accumulate the findings of the best research on China's ITO and BPO sector by the top scholars in the field of information systems.
11. *The Outsourcing Enterprise: From Cost Management to Collaborative Innovation* is by Leslie Willcocks, Sara Cullen and Andrew Craig. The central question answered in this book is "How does an organization leverage the ever growing external services market to gain operational, business, and strategic advantage?" The book covers the foundations of mature outsourcing enterprises that have moved outsourcing to the strategic agenda by building the relationship advantage, selecting and levering suppliers, keeping control through core retained capabilities, and collaborating to innovate. The book provides proven practices used by mature outsourcing enterprises to govern, design, and measure outsourcing. The final chapter presents practices on how mature outsourcing enterprises prepare for the next generation of outsourcing.
12. *Governing through Technology* by Jannis Kallinikos is thoughtful scholarship that examines the relationships among information, technology, and social practices. The author discusses the regulative regime of technology and issues of human agency control and complexity in a connected world. He provides a valuable counter-perspective to show that social practices are, in part, unmistakably products of technologies, that technologies are, through historical processes, embedded in the social fabric, and that, if technological determinism is naive, the notion of the regulative regime of technology remains alive and well into the Internet age.
13. *Enterprise Mobility: Tiny Technology with Global Impact on Information Work* by Carsten Sørensen explores how mobile technologies are radically changing the way work is done in organizations. The author defines enterprise mobility as the deployment of mobile information technology for organizational purposes. The author contrasts how large technology projects in organizations, such as enterprise resource planning (ERP) implementations, will increasingly be managed differently because of mobile technology. The introduction of mobile technology supporting organizational information work will often be driven by individuals, small teams, or as part of departmental facilitation of general communication services.

14. *Collaboration in Outsourcing: A Journey to Quality*, edited by Sjaak Brinkkemper and Slinger Jansen, is based on an integrated program of outsourcing research at Utrecht University in the Netherlands. The book is written for practitioners based on interviews and case studies in many global outsourcing firms including Cisco, IBM, Deloitte, Infosys, Logica and Partni – to name a few. The 16 chapters are short, tight and written to communicate best practices quickly. The chapters cover the topics of governance, knowledge management, relationship management and new trends in software development outsourcing.
15. *Advanced Outsourcing Practice: Rethinking ITO, BPO and Cloud Services* by Mary Lacity and Leslie Willcocks is based on insights from a research program covering over 2200 sourcing arrangements. The book provides an overview of robust practices gleaned from over 20 years of research in the outsourcing field. It covers advanced areas of study, including what providers say about establishing and managing outsourced services; shared services, the changing role of client project management; best-of-breed versus bundled services; rural and impact sourcing; and shifting to cloud services.
16. *Sustainable Global Outsourcing: Achieving Social and Environmental Responsibility in Global IT and Business Process Outsourcing* by Ron Babin and Brian Nicholson examines, through a series of case studies and surveys, current sustainability trends. The book recommends how providers should prepare for increasing buyer demands in this area, suggesting that buyers and providers can work together to build successful outsourcing relationships through collaborative sustainability projects.
17. *Managing Change in IT Outsourcing: Towards a Dynamic Fit Model* by Albert Plugge examines three provider organizations and explores how they have to deal with major fit issues, including strategy, capabilities and organizational structures, in meeting changing buyer requirements. The book finds that lack of fit and adaptive behavior on the part of providers helps to explain lack of sustained service performance as a recurring problem in outsourcing arrangements. The author uses evidence to highlight the links between sourcing capabilities, organization structure and positive sourcing outcomes. Providers who are able to adapt to changing client circumstances, while establishing a fit on these critical factors, tend to succeed in achieving sustainable superior performance.
18. *Materiality and Space: Organizations, Artefacts and Practices*, edited by Francois-Xavier de Vaujany and Nathalie Mitev, focuses on how organizations and managing are bound with the material forms and spaces through which humans act and interact at work. Developing theoretical insights along the way, the book concentrates on three separate domains in organizational practices: sociomateriality, sociology of space, and social studies

of technology. The contributors examine these domains with respect to collaborative workspaces, media work, urban management, e-learning environments, managerial control, mobile lives, institutional routines and professional identity.

19. *South Africa's BPO Service Advantage: Become Strategic in the Global Marketplace* by Leslie Willcocks, Mary Lacity and Andrew Craig examines South Africa's growing business services sector and its maturing capability moving from voice to non-voice and complex business process outsourcing (BPO) services. The study uses survey and case data to provide an overview of BPO global trends, explore the location attractiveness of ten comparator countries, and assess in detail the performance and prospects for South Africa's BPO industry. The book also provides seven detailed case studies covering voice, non-voice, legal services, shared services, captives and offshore outsourcing practices, giving insight and lessons, and assessing future policy directions.
20. *Materiality and Time: Historical Perspectives on Organizations, Artefacts and Practices* is edited by Francois-Xavier de Vaujany, Nathalie Mitev, Pierre Laniray and Emmanuelle Vaast. This book is a continuation and extension of *Materiality and Space: Organizations, Artefacts and Practices* which focuses on the materialization of time. The collection includes chapters on materializing time and history in organizations, temporal dynamics of artefacts and materiality in organizations, and stretching out time and materiality in organizations from presentism to *longue durée*.
21. *Materiality, Rules and Regulation: New Trends in Management and Organization Studies* is edited by Francois-Xavier de Vaujany, Nathalie Mitev, Giovan Francesco Lanzara and Anouk Mukherjee. This is the third book on materiality in the series. This volume explores how material artefacts can enforce regulation and substitute for formal norms, rules and supervision. The authors investigate materiality, rules and regulation from several theoretical perspectives, including Marxism, institutionalism, neo-institutionalism, process studies, regulation sociology and affordance literature.
22. *Socially Responsible Outsourcing: Global Sourcing with Social Impact* is edited by Brian Nicholson, Ron Babin and Mary C. Lacity. This is the second collection in the series and extends and updates ideas published in *Sustainable Global Outsourcing: Achieving Social and Environmental Responsibility in Global IT and Business Process Outsourcing*. The book contains research papers that focus on the topic of socially responsible outsourcing (SRO) and on impact sourcing. It includes research frameworks and rich case studies.

In addition to the 22 books already published, we have several other manuscripts under review but always need more. We encourage other researchers to submit proposals to the series, as we envision a protracted need for scholars to deeply and richly analyze and conceptualize the complex relationships among technology, work and globalization. Please follow the submissions guidelines on the Palgrave website (www.palgrave-usa.com/Info/Submissions.aspx). Liz Barlow (liz.barlow@palgrave.com) is the Commissioning Editor for this Palgrave Macmillan book series.

Leslie P. Willcocks
Mary C. Lacity
August 2015

Acknowledgments

The editors, publishers, and authors are grateful for permission to reproduce in full or in part versions of prior work that were initially published elsewhere.

Chapter 2, “The Impact of Impact Sourcing: Framing a Research Agenda,” by Erran Carmel, Mary C. Lacity and Andrew Doty was initially presented at the 4th International Conference on the Outsourcing of Information Services in Mannheim, Germany in 2013 and published in Carmel, E., Lacity, M., and Doty, A. (2014), “The Impact of Impact Sourcing: Framing a Research Agenda,” in *Information Systems Outsourcing: Towards Sustainable Business Value* (eds. Hirschheim, R., Heinzl, A., and Dibbern, J.), Heidelberg: Springer, pp. 397–430. Reprinted with permission of Springer Science+Business Media.

Chapter 5, “Assessing the Development Impact of Social Outsourcing of IT Service,” by Richard Heeks and Shoba Arun was published as Heeks, R. and Arun, S. (2010), “Social Outsourcing as a Development Tool: The Impact of Outsourcing IT Services to Women’s Social Enterprises in Kerala,” *Journal of International Development*, 22(4): 441–454. Reprinted with permission.

An earlier version of Chapter 7, “Competition in Online Job Market Place: Towards a Global Labour Market for Outsourcing Services,” by Niels Beerepoot and Bart Lambregts was published in *Global Networks*, 15(2): 236–255. Reprinted with permission.

Chapter 8, “Impact Sourcing: Employing Prison Inmates to Perform Digitally Enabled Business Services,” by Mary C. Lacity, Joseph W. Rottman, and Erran Carmel was initially published in *Communications of the AIS*, 34: Article 51 in 2014. Reprinted with permission from AIS.

We thank Everest for generous sponsorship of the book launch event at the IAOP conference in February 2016. We also recognize the Global Sourcing Council for the work they do to promote an understanding of roles and impact of all stakeholders in global trade in goods and services. We also thank our team at Palgrave, most notably Liz Barlow and Maddie Holder, and Vidhya Jayaprakash and her team at Newgen Knowledge Works Pvt Ltd.

Notes on Contributors

Shoba Arun is a senior lecturer in the Department of Sociology, Manchester Metropolitan University, Manchester, UK. Shoba completed her PhD at the University of Manchester (1999), after which she joined as Lecturer in International Development at the University of Ulster. Her research goals are to better understand processes of global social change, as these processes are expressed in particular social and spatial contexts and differently among diverse social constituencies. Her research publications and expertise mainly concern gender matters in the global society and knowledge economy. This includes research in the areas of neo-liberal policies and impact on Information, Communication and Technology (ICT) based services, and its impact on gender and the labor market.

Niels Beerepoot is a lecturer and researcher at the Amsterdam Institute for Social Science Research, University of Amsterdam. He holds a PhD from the University of Amsterdam focused on Collective Learning in Small Enterprise Clusters in the Philippines. He has led the NWO-WOTRO Integrated-Programme project on understanding the local outcomes of the emergence of the offshore service sector in Mumbai and Manila. This project is a collaboration with researchers from the University of Mumbai and the University of the Philippines and concentrates on the patterns of offshore service sector development in both cities, access to employment and chances for upward labor mobility, the induced and indirect effects and wider social implications in both cities.

Steve Briggs is Leadership Partner at Gartner responsible for IT sourcing, vendor management and consulting. Previously he was the head of IT Sourcing Strategy at The Co-operative Group where he was responsible for defining the IT sourcing strategy at the Co-op Group level, including contractual and relationship management responsibility for all 541 IT suppliers and outsourcing relationships (annual spending £260m). He was responsible for the establishment and management of a highly successful IT Business Partner function and was seconded onto the M&A team to lead the overall IT outsourcing engagement as part of a £1.6 billion banking acquisition.

Erran Carmel is Dean and a professor at the Information Technology Department, Kogod School of Business at American University in Washington, DC. He studies various kinds of sourcing in the context of the globalization of technology work. He has written three books, including *Offshoring*

Information Technology. With Lacity and Rottman in 2010, he began studying rural sourcing – now labeled impact sourcing. He also studies crowdsourcing for which he was recently awarded a SIM APC grant. He has published over one hundred articles and ten teaching case studies. His articles have appeared in *Sloan Management Review*, *MIS Quarterly*, *Journal of MIS*, *Communications of the Association for Information Systems*, *Journal of Information Technology*, *IEEE Computer*, *IEEE Software*, *Communications of the ACM*, and many other academic and practitioner outlets.

Andrew (AJ) Doty received his Master's in International Development from American University, School of International Service in 2013. Since 2013 he has lived in Uganda and Kenya working as a monitoring and evaluation expert for a microenterprise development program. Andrew continues to research creative methods for evaluating the impact of small businesses on rural development in East Africa.

Richard Heeks is Professor of Development Informatics in the Institute for Development Policy and Management, University of Manchester, United Kingdom. He is Director of the Centre for Development Informatics. Richard has written 6 books, more than 40 refereed articles, and over 100 other papers and reports. He works in the growing field of development informatics, researching ICT4D – information and communication technologies for development which analyzes the relation between informatics (Internet, computing, mobiles, digital data) and key socio-economic development processes (poverty alleviation, economic growth, social justice, environmental sustainability).

Bart Lambregts is a post-doctoral researcher at the Amsterdam Institute for Social Research (AISSR, program group Geographies of Globalizations) and lecturer/researcher at the Division of Urban and Environmental Planning of Kasetsart University in Bangkok. Since 2003, he has worked for the University of Amsterdam where he received his PhD (Human Geography). His current research is with Neils Beerepoot on understanding the current wave in globalization: the segmented outcomes of offshore service development in Mumbai and Manila. He is also focused on delivering services in the shadow of giants: Bangkok's performance in offshore services production.

Fareesa Malik is a PhD researcher at Manchester Business School. Originally qualified in Computer Science and IT, she has research interest in offshore software development and global IT and business process outsourcing. Fareesa worked in public sector ICT organizations in Pakistan for five years where she was involved in ICT-related management and research activities. Her recent research work focuses on managing impact sourcing practices in for-profit outsourcing organizations.

Sharon Morgan trained as a computer scientist and has worked in the UK software sector and in academia in the United Kingdom and Botswana, primarily in the field of Information Systems and Human-Computer Interaction. Sharon's passion has been to address diversity (and particularly the gender impacts) evident within the ICT industry globally and in ICT-driven development initiatives in particular. Since 2004 she has been attached to the Development Informatics group at the Institute for Development Policy and Management at the University of Manchester, first as a PhD study fellow, part-time researcher and part-time lecturer, and now as a full-time Lecturer in IS and Development.

Joseph Rottman is the Director of the International Business Institute, Associate Professor of Information Systems and a research fellow in the Center for International Studies at the University of Missouri–St. Louis. He has conducted case studies in over 40 firms and has been engaged by Fortune 500 firms to analyze their offshore strategies. His recent book, *Emerging ITO and BPO Markets* (with Mary C. Lacity and Erran Carmel) explores two niche sourcing markets: rural and impact sourcing. His articles have appeared in *Sloan Management Review*, *MIS Quarterly Executive*, *Information Systems Frontiers*, *Strategic Outsourcing: An International Journal*, *IEEE Computer*, the *Journal of Information Technology*, the *American Review of Public Administration* and *Information and Management* and leading practitioner outlets such as *CIO Insight* and the *Cutter Consortium*. He holds a Doctor of Science in Information Management from Washington University in St. Louis. He has conducted research and spoken internationally on global sourcing, innovation diffusion and public sector IT. He was a research fellow with the Chinese Academy of Social Sciences in 2009, received the 2006 Anheuser-Busch Excellence in Teaching award, and is on the editorial board of *MIS Quarterly Executive*.

C. Ranjini is a post-doctoral researcher and Program Manager at the Centre for Public Policy, Indian Institute of Management Bangalore. Ranjini holds a PhD in Women's Studies/Sociology from Lancaster University, United Kingdom. Her thesis titled, "Implementing public health information infrastructures in India: an ethnographic approach," explored the complex heterogeneous processes shaping and influencing the development of four e-governance projects in the Family Welfare Department of Andhra Pradesh. Her research interests are in the area of ICT4Development, e-governance, gender, social informatics and health informatics. Recently she evaluated a World Bank–funded project, Beneficiary Verification System, in which handheld devices and mobile phones were given to health workers to obtain feedback from beneficiaries. Prior to her doctoral study, she was a journalist with *The New Indian Express* and *Financial Express* in Bangalore.

M. S. Sandeep joined the School of Business and Economics at Loughborough University, UK, in 2011. He holds a BE in Information Science Engineering from VTU, Belgaum, India and a post-graduate Diploma in Rural Management from Xavier Institute of Management, Bhubaneswar, India. Prior to starting his doctoral studies, he worked for a policy think tank in Bangalore, India, with a research focus on decentralized e-governance and rural infrastructure projects. Sandeep was also employed for two years as a software engineer in a large global software services firm.

M. N. Ravishankar is Professor of Globalization and Emerging Markets at the School of Business and Economics, Loughborough University, UK. He conducts interdisciplinary research on how globally disaggregated enterprises can effectively manage tensions at the interface of the strategic and social dimensions of business. He has studied and worked with multinational companies and public sector organizations globally.

Megan Young is an MBA graduate at the Ted Rogers School of Management at Ryerson University, Canada. As a research assistant during her graduate work, she became interested in the social enterprise model for Aboriginal communities and developed a major research paper on Impact Sourcing. Megan worked at Deloitte and Touche, Export Development Canada and the Royal Canadian Navy prior to commencing her MBA studies.

1
Introduction

Brian Nicholson, Ron Babin and Mary C. Lacity

The focus of this book is at the intersection of global sourcing and social responsibility. Global sourcing is the act through which work is contracted or delegated to an external or internal entity that could be physically located anywhere. It encompasses various outsourcing arrangements such as offshore outsourcing, captive offshoring, nearshoring, and onshoring (Oshri et al. 2015). Global sourcing is a well-established business practice which offers reduced costs and improved performance and provides access to resources. In our previous book (Babin and Nicholson 2012) we identified the importance of a *sustainable* approach to global sourcing practice taking into account both the social and environmental dimensions. Back then, we had identified from extensive empirical research that clients, governments, employees and non-government organizations expect providers to behave in ways that are socially and environmentally responsible.

This book picks up where we left off in 2012 and further develops the focus on understanding how and why clients and providers have embraced social responsibility. Much has developed since 2012 and to make sense of these developments a two-day international workshop was held in the United Kingdom at Manchester University in October 2014. This brought together a group of leading practitioners and academics from around the world, all of whom are interested in social responsibility in global sourcing. The genesis of the idea for this book came from the presentations and discussions at that workshop and many of the chapters that follow are written by the presenters.

Why has social responsibility become an important theme in global sourcing?

The answer to this question requires two explorations: first, we need to understand how sourcing has become intermeshed into development discourses. Second, we need to understand the rise of corporate social responsibility (CSR), specifically the "doing well by doing good" approach to CSR in both theory and practice.

1.1 Global sourcing and development

Since the first software contracts were outsourced offshore to India in the late 1970s, global outsourcing practice has enlarged in three dimensions:

- scale
- geographical spread
- range of service offerings.

Dealing first with scale, during our respective careers, two of us as university researchers and the other as a management consultant for Accenture and KPMG, we have witnessed spectacular growth of the scale of global sourcing. Figure 1.1 shows year-on-year explosive growth of the global market size of outsourced services culminating in 2014 with US$104.6 billion.

Meeting the demand are the global outsourcing providers, geographically spread in clusters around the world. Today, many new entrant nations challenge India's previously undisputed leadership as the leading provider of outsourced services. Since 2004 the management consulting firm A.T. Kearney has published the Global Services Location Index (AT Kearney 2014) providing a ranking of the top 50 countries as the best destinations for outsourcing IT services and support, contact centers and back-office services. The situation in the early years of global outsourcing during the 1980s and 1990s where India was the main offshore outsourcing supply nation has now evolved to a much more global scenario. A plethora of outsourcing clusters are located in

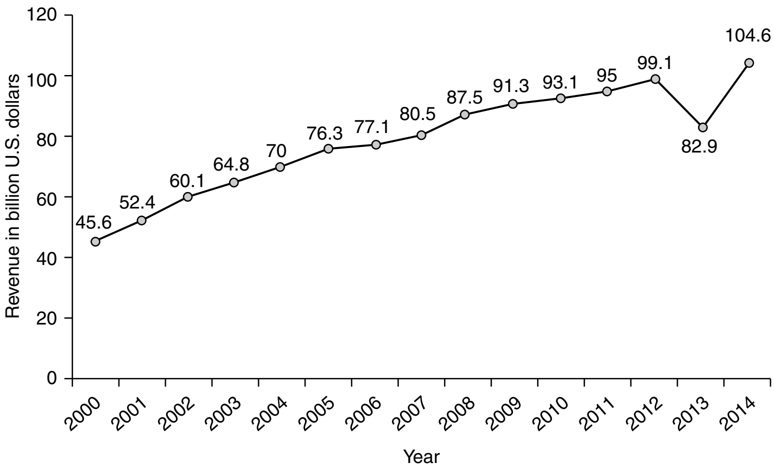


Figure 1.1 Global market size of outsourced services from 2000 to 2014 (in billion US dollars)

Source: statista.com.

"new entrant" developed and developing countries in Asia, Africa, and Latin America/Caribbean. During the 1990s, the lessons from India's spectacular growth in Information Technology Outsourcing (ITO), later Business Process Outsourcing (BPO), and the resultant contribution to GDP, convinced many, including the World Bank and Inter-American Development Bank (IADB), that the development of an outsourcing industry offered a route to socio-economic development. India's ITO and BPO sectors today contribute 9.5% to GDP and employ 3.5 million people (Nasscom 2015). In 2014, Bangladesh entered the AT Kearney ranking and has become the number three country for contractors on oDesk in just three years behind only the Philippines and India.

Our own experience in this area includes helping policymakers in new entrant countries develop their IT outsourcing industries. The Software Export Success Model (Heeks and Nicholson 2004) was derived from an analysis and explication of the lessons from the leading software export nations alongside a literature review into a set of key considerations for policymakers interested in sector development. This framework became influential in the policymaking process for new aspirant entrants aiming to challenge India's dominance. To our knowledge it was used in several outsourcing sector policymaking processes (e.g., Egypt) and was applied in our own action research interventions in Iran (Nicholson and Sahay 2003) and Costa Rica (Nicholson and Sahay 2009) where we were sponsored by IADB for development of a national strategy for software exports. The contribution of an outsourcing sector to development has continued to be of interest to academics and policymakers alike. Taking the example of Kenya, Graham and Mann (2013) describe the hopes of policymakers and entrepreneurs of developing an outsourcing sector facilitated by new fiber optic broadband linkages into the global outsourcing marketplace and offering employment to marginalized people, thus lifting them out of poverty. The ability for computing and telecommunications to take digitized work almost anywhere with sufficient computing, bandwidth, and skills to offer employment to marginalized people in developing and developed countries has been enveloped into the term Impact Sourcing. We discuss this further in Section 1.4 below.

Focusing now on the expansion in the range of services, the story of the beginnings of global sourcing in India involves start-up firms such as Infosys, now a multinational and one of the largest IT service providers in the world. In the beginning, coding was completed on physical media by developers in "software factories" and delivered to clients in the United States and Western Europe by courier. Today, the example of India shows how service offerings have expanded dramatically to encompass a wide variety of services including call centers, accounting, and legal process outsourcing. Service offerings have also moved "up the value chain" from coding and testing activities that dominated in the early years to much more sophisticated activities. The offshore outsourcing of these higher value chain activities has developed into a separate subclassification of global outsourcing, "Knowledge Process Outsourcing," and thus extended the range of employment possibilities across the skills spectrum from data input to highly qualified staff up to doctoral level.

These expansions of scale, geography, and range have been enabled by rapid expansions in the capacity and lowering in cost of the computing and telecommunications infrastructure as well as investment in education and training for skills availability.

1.2 The rise of corporate social responsibility (CSR)

Early discussions on corporate social responsibility (CSR) began in the 1970s. One of the most controversial statements from that early period was from the distinguished economist Milton Friedman who argued 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 this view has been largely discredited as the role and conceptualization of CSR has evolved. In 1991 Archie Carroll set out a basic framework called the Pyramid of CSR, shown in Table 1.1, which shows a hierarchy from legal and ethical requirements to voluntary philanthropy.

Since Carroll's early publications there has been a continuing discourse on the significance of CSR to an organization. The definition from contemporary theorists Matten & Moon (2008) demonstrates how far CSR has come from Friedman's early dismissal of the concept. They write that CSR is a "clearly articulated and communicated set of policies and practices of corporations that reflect business responsibility for some of the wider societal good" (p. 405). The idea that for-profit organizations may be obliged to support social causes beyond an immediate focus on profits is referred to as the "double bottom line" (Emerson and Twersky 1996). A related stream of

Table 1.1 The Pyramid of CSR, adapted from Carroll, *Business Horizons,* 34, 1991

Pyramid level	**Responsibility**	**Description**
Pinnacle	Philanthropy	Give time and money to worthy charities in the community
Level 3	Ethical	Perform beyond the requirements of the law, doing what society judges to be right, just and fair
Level 2	Legal	Obey the law
Foundation	Economic	Provide ongoing economic return to shareholders and other stakeholders, such as employees, suppliers, lenders, etc.

literature also concerned with measuring organization performance in terms of positive social impact is the "doing well by doing good" approach to CSR. This approach rests on the belief that the application of business principles to CSR can provide the ability to benefit both the business as well as good causes, thereby offering a "win-win" scenario. One of the early contributions came from Jed Emerson (2003) who highlighted the importance of "blended value" offering both social and economic returns from investments. 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" (p. 35). Porter and Kramer (2006, 2011) suggest focused choice of good causes that will be likely to have beneficial impact for the sponsoring organization. A "doing well by doing good" approach to corporate social responsibility thus utilizes pro-market strategies to increase returns on philanthropic investment. They posit that corporations that embrace social concerns create a "win-win" outcome for both parties. This is in line with the ambitions of the outsourcing as development discourse discussed above; however this approach is not without its critics. Ahmad and Ramayah (2013), for example, question whether ventures that devote resources and effort to trying to improve society will suffer in terms of performance, or whether enterprises that "do good" will also "do well," and thus be successful both financially and socially. Marques and Mintzberg (2015), commenting on the business case for CSR, argue it is a niche strategy rather than a generic one and that "it is naïve to think that CSR can turn the corporate landscape into a 'win-win' wonderland" (p. 9). These arguments are confronted in the case studies in this book with commercial for-profit business models, notably in chapters 6, 9, and 10. This is in contrast with the cases involving social enterprise, public sector support, or with charitable/NGO status (e.g., Chapter 5).

1.3 CSR in global outsourcing

CSR has become an important topic in global outsourcing for two main reasons. First, the rise of CSR more generally as an accepted practice has affected clients and providers of outsourcing services. Second, CSR standards have become important both in terms of the body of CSR knowledge provided by outsourcing industry associations discussed below but also in the form of international standards such as ISO26000 and the Global Reporting Initiative. In 2014 ISO published standard 37500 to provide guidance on outsourcing. ISO37500 references ISO26000 which is the international Social Responsibility standard. As clients demand these standards, providers react. Additionally, we have experience of client-specific CSR being implemented into Requests for Proposals and even into contracts. For instance, Vancity in Vancouver and

Co-Op Bank in the United Kingdom have ethical principles embedded into provider relationships (see chapters 9 and 10 for details).

The evolution of CSR into the activities of the outsourcing industry association, the International Association of Outsourcing Professionals (IAOP), demonstrates the acceptance of CSR into industry practices. IAOP represents a global community of more than 120,000 members and affiliates worldwide and is the leading professional association focused on outsourcing.[1] The following timeline demonstrates the increasing importance of CSR:

- 2009 an IAOP CSR committee was established and one of the goals of that group was to define a CSR guide for the outsourcing industry.
- 2010 IAOP included an evaluation of the CSR profile of applicants to the ranking of the IAOP Global Outsourcing Top 100. Also in 2010, IAOP commissioned a survey on social responsibility in outsourcing undertaken by Ron Babin who found that "CSR is an important and growing issue for outsourcing customers and providers – 71 per cent say that CSR will become more important or much more important in future outsourcing contracts" (Hefley and Babin, 2013).
- 2012 the IAOP unveiled an inaugural Global Outsourcing Social Responsibility Impact (GOSRIA) award.
- 2013 IAOP published the first "Outsourcing Professionals' Guide to Corporate Responsibility" (ibid.).

1.4 Impact sourcing

Impact sourcing is an emerging phenomenon that aims to transform people's lives, families, and communities through meaningful employment in digitally enabled services (Carmel et al. 2013). Phrased differently, it is to global outsourcing what the "double bottom line" is to business more broadly. The Rockefeller Foundation has been the leading global institution promoting impact sourcing through its Digital Jobs Africa Initiative, supporting key reports by The Monitor Group in 2011, Avasant and Accenture in 2012, and Everest Group in 2014. In addition to the Rockefeller Foundation, a number of organizations have produced research including, the International Association of Outsourcing Professionals (IAOP 2009), and National Association of Software and Services Companies (NASSCOM) foundation. University scholars have examined impact sourcing (Heeks 2012ab; Lacity et al. 2012) and its related concepts, ethical sourcing (Heeks 2012a, 2012b), sustainable global outsourcing (Babin and Nicholson 2009, 2012), microwork (Gino and Staats 2012), corporate social responsibility (CSR) in outsourcing (Babin 2008), social outsourcing (Heeks and Arun 2010), and rural sourcing (Lacity et al. 2011). A recent report by the Everest Group (2014) claims that the impact sourcing market is growing faster than the overall BPO market and currently employs around 240,000 people globally, with

India, the Philippines, and South Africa contributing close to 90% of this workforce. Users of impact sourcing include large global multinationals, well-known established ITO and BPO, and relatively new impact sourcing service providers.

Much of the empirical work on impact sourcing has focused on case studies of impact sourcers, the organizations that sell information technology outsourcing (ITO), and BPO services. Sample case studies include Cayuse Technologies, Digital Divide Data (DDD), eGramIT, Maharishi Institute, Matrix Global, Onshore Outsourcing, Paradigm Express, Ruralshores, Samasource, TechnoBrain, and TxtEagle (see Table 1.2).

The case studies listed in Table 1.2 all focus on impact sourcers by studying their business models, service offerings, and workforce development. These cases include some interviews with marginalized individuals who became employees of impact sourcers, but no detailed analyses of the actual effects of impact sourcing on employees were presented, with the exception of Accenture (2012). The Accenture report found positive effects of impact sourcing on a Native American tribe by tracking the number of tribal employees trained, jobs created, and total number of tribe members employed over a three-year period, from 2009 to 2011.

Table 1.2 Prior case studies of impact sourcers

Impact Sourcer	**Founded**	**Targeted Marginalized Individuals**	**Primary Services**	**Primary Location(s)**	**Case Study References**
Cayuse Technologies	2006	Native Americans	ITO (~35%) BPO (~65%)	Reservation of the Confederated Tribe of the Umatilla Indian Reservation near Pendleton, Oregon (US)	Accenture (2012); Lacity et al. (2012)
CloudFactory	2008	Poverty	ITO	Nepal	http://www.cloudfactory.com/social-mission
Digital Divide Data	2001	Unemployed high-school graduates ready for work/study program	BPO	Cambodia, Laos, Kenya	Accenture (2012)

Continued

Table 1.2 Continued

Impact Sourcer	Founded	Targeted Marginalized Individuals	Primary Services	Primary Location(s)	Case Study References
Head Held High		Poverty	BPO	India	http://head-held-high.org/
Maharishi Institute	n/a	Disadvantaged populations with high-school diploma	BPO	Johannesburg, South Africa	Accenture (2012)
Matrix Global	2004	Ultra-orthodox "haredi" Jewish women	ITO	Modi'in, Israel	Lacity et al. (2012)
Onshore Outsourcing	2005	"No-collar" individuals in rural community	ITO	Macon, Missouri (US)	Lacity et al. (2010, 2012)
Per-Scholas	n/a	Poverty	ITO	NYC (US)	http://perscholas.org/
RuralShores	2008	Disadvantaged populations	BPO	Multiple centers in rural India	The Monitor Group/ Rockefeller Foundation (2011)
Samasource	2008	Bottom of the Pyramid	BPO micro-work	Headquarters in San Francisco, 16 delivery centers with partners in Haiti, Kenya, India, Cameroon, Zambia, Uganda	Gino and Staats (2012); Lacity et al. (2012); The Monitor Group/ Rockefeller Foundation (2011)
TechnoBrain	n/a	Poor and vulnerable populations	ITO BPO	Nairobi, Kenya, Uganda	Accenture (2012)
TxtEagle	n/a	Urban workers with high-school education	BPO microwork	China, India, Latin America, Southeast Asia, Africa	The Monitor Group/ Rockefeller Foundation (2011)
UNICOR	1930s	US prisoners	BPO	Federal US prisons	Lacity et al. (2014)

While social impact is one of the greatest differentiators for impact sourcing, the impact does not only benefit those employed but may also beneficially impact clients. According to Michael Chertok of Digital Divide Data,[2] impact sourcing can improve a client's brand, more deeply engage employees, grow new markets, and reduce risk. The US discount airline JetBlue believes their brand is improved by widely advertising how their impact sourcing provides employment opportunities for stay-at-home moms. The US retailer Fossil engages employees by sending staff to the field to train the impact sourcing workers on their projects, repositioning outsourcing as a positive development rather than a threat. Impact sourcing from less mainstream countries such as Cambodia, Ghana, Kenya, or Nepal may offer a way to learn more about new markets and diversify risk if sourcing from more than one location.

1.5 Overview of the chapters

Table 1.3 below provides a short summary of the chapters in this book and how they explore the many facets of socially responsible global sourcing arrangements. The chapters explore business models ranging from development-oriented social enterprise for poverty alleviation in rural India (e.g., Chapter 5), public private partnership for prisoner rehabilitation (Chapter 8), to incorporating social responsibility in wholly for-profit business models (e.g., chapters 9 and 10). The chapters demonstrate different technologies in use and types of work from software development (Chapter 3) to BPO (e.g., Chapter 4), and "human cloud" applications (Chapter 7). Furthermore, a range of different countries are represented – unsurprisingly developing countries feature heavily especially India (chapters 3, 4, 5, 6, and 9) but there is also data from the Philippines (Chapter 7). Studies in developed countries are also included in chapters 8 and 10 focusing on the United States and Canada respectively. Most of the chapters are case studies providing rich insight but there are other research methods represented, including literature review, field study, and data derived from oDesk, an online freelancer marketplace.

In Chapter 2, Erran Carmel, Mary Lacity, and Andrew Doty develop an impact sourcing research framework that identifies key stakeholders and constructs and directs future research. The framework comprises an ecosystem of different stakeholders, including the impact sourcers (the providers), employees of impact sourcers, communities where employees reside, and clients of impact sourcing services. The framework also includes global issues, like location attractiveness, and public policy issues. Although more research is needed on all the key constructs identified in the framework, the authors posit that the most important of these is the impact of impact sourcing on the employees (the people whose lives are presumably improving as a result of impact sourcing) and the communities around them.

Table 1.3 Chapter summary

Chapter	Research method	Research data	Characteristics of firms studied	Research gathered from/about	Functional focus
2	Conceptual – Impact sourcing framework	n/a	n/a	providers, customers, employees	IT and business process services
3	Case study	25 interviews	Five impact sourcing centers in rural India	Employees, community	IT and business process outsourcing
4	Case Study	5 interviews combined with secondary data	Three impact sourcing centers in rural India	Providers Employees Families Communities	Business process services
5	Field Study	133 interviews in 38 IT social enterprises	Kerala, India	Social enterprises	IT outsourcing
6	Case Study	10 interviews	Impact sourcing center in rural India	Female Employees	Business process outsourcing
7	Secondary Data	925 contractors	oDesk	Focused on contractors in US, UK, India and the Philippines	Web development services
8	Case study	14 interviews; participant observation; direct observation	US Federal prison	Prisoners employed as BPO workers	Patent services
9	Case study	28 interviews, two site visits (India)	UK financial institution outsourcing to rural India	Outsource buyer/provider collaboration to support schools in India	IT Outsourcing
10	Case study	23 interviews in total at service provider (12), clients(5), channel partners (5), and impact sourcing specialist (1)	Canada impact sourcing firm, financial institution, and utilities clients	Clients Provider Employees Aboriginal society	IT and business process outsourcing

In Chapter 3, M. S. Sandeep and M. N. Ravishankar examine how employees of an impact sourcer based in northern India cope with space and place from a sociological perspective. Based on 25 interviews with employees, the authors found that the company "space" was viewed as foreign and employees had to learn to become chameleons to operate in two different social spaces (the company and the community). The authors found that employees used several strategies, including assimilation, integration, forming fictive kinships, and experimenting with provisional selves.

Chapter 4, by Shirin Madon and Ranjini Canchi Raghvendra, points out that little is understood about the wider policy environment that supports impact sourcing and its consequences on local economic development. To address this, they focus on case studies in the Karnataka region of India, a leading player in the impact sourcing market. The authors review literature on inclusive growth and entrepreneurship providing a framework for exploring three rural impact sourcing case studies. Specific ways in which each of the cases have benefited from operating in peripheral areas of rural Karnataka are identified alongside the benefits to the employees and families. The government role in creating and sustaining an enabling environment for rural impact sourcing is considered but the authors point out that links between rural impact sourcing activity, increased entrepreneurship, and inclusive growth remain unclear.

Chapter 5, by Richard Heeks and Shoba Arun, describes and analyzes the case of Kudumbashree in the southern Indian state of Kerala. The authors begin by positioning the case study as social outsourcing: a hybrid type of organization between the boundaries of workfare outsourcing and commercial outsourcing. The ideal of a "triple win" offering development benefits, economic benefits of saving money, and political benefits is presented as an aspiration of the government and as a lens to consider the case. Using the UK Department for International Development *Sustainable Livelihoods Framework*, the improvements to the lives of the sample of women working in the Kudumbashree outsourcing centers are considered across four categories of financial capital, human capital, physical capital, and social capital.

In Chapter 6, Fareesa Malik, Brian Nicholson, and Sharon Morgan explore a case study that has similarities with Chapter 5 in that it is focused on social outsourcing with a mainly female workforce. The case differs in that the organization concerned had a private sector commercial, for-profit business model as opposed to a public sector government-supported approach in Kudumbashree. The authors also draw on a conceptual frame from development studies – Amartya Sen's Capability Approach – to assess the impact on a sample of the female workforce located in a rural area near Delhi, India. The theory is used to categorize the various factors that both impeded and enabled the realization of improved capabilities and the enabling role of the outsourcing organization.

Chapter 7, by Niels Beerepoot and Bart Lambregts, examines a new form of service outsourcing, the global online job marketplace for freelance contractors.

According to the authors, such platforms are currently the closest proxy to the idea of a global labor market. In this chapter, the authors examine how competition manifests itself on one such global online platform, namely oDesk. They present a comparative analysis of the relative wages and the rewarding of skills and expertise of contractors from the United States, United Kingdom, India, and the Philippines. They found that wage convergence takes place but that experience and skills hardly translate into better remuneration. While online service outsourcing provides new employment opportunities for freelancers around the world, the intense competition and the inherent restrictions of this model limit the financial gains for most of them.

In Chapter 8, Mary Lacity, Joseph Rottman, and Erran Carmel examine prison sourcing. Worldwide there are over six million prisoners, of whom over two million are US prisoners. In the United States, 95% of inmates will one day be released. Prison employment programs are interventions aimed at preparing inmates to re-enter society. The authors studied a special type of prison employment program: the hiring and training of prisoners to perform business services using a computer. The impact of prison sourcing needs to be understood in two distinct time periods: while in prison and after prison. Based on a case study at a US Federal Correctional Institution employing 140 inmates in prison sourcing, they found evidence that prison sourcing for business services positively affected the inmates while in prison. The main benefits were good financial compensation, work habit development, productively occupying time, development of business skills, and the elevation of self-efficacy and status.

Chapter 9, by Brian Nicholson, Ron Babin, and Steve Briggs, presents an empirical case study that explores the sponsorship of an Indian school by staff from both an outsource client and provider. It draws upon anthropological concepts to analyze how the school creates a liminal space "betwixt and between" the two organizations. In liminal spaces, the customary identities, routines, and rules of the formal organization are suspended, with new identities, routines, and norms emerging. The liminal space may engender spontaneous and enduring communitas, defined as community spirit and feelings of great social equality, solidarity, and togetherness. These concepts are used as a lens to examine the research question: "How does the liminal space created by establishing a CSR project strengthen the ITO relationship and improve the probability of outsourcing success"?

Chapter 10, by Ron Babin, Megan Young, and Brian Nicholson, describes a case study of an Aboriginal outsourcing company in a major North American city. Aboriginal IT Services (AITS) was founded with the assistance of a large Global IT Service company to support outsourcing contracts in North America. AITS' social mission is to employ Aboriginals, providing skills, employment, and economic prosperity to the Aboriginal community. AITS faces many challenges. They have received positive feedback from CEOs but that has only resulted in limited business contracts. There have been significant challenges in recruiting qualified staff. There are limited information technology training programs currently available for Aboriginals, and there are noted educational gaps between Aboriginal and non-Aboriginal people. AITS has faced prejudice and preconceptions regarding the suitability of Aboriginals for IT work. However, recent societal issues are changing the commercial and political environment for Aboriginals. This case examines the ongoing tensions between the divergent goals of commercial success (i.e., profitability) and social success (i.e., employment of a marginalized population, Aboriginals). The case offers suggestions and cautions for those who are considering an on-shore Impact Sourcing enterprise.

1.4 Conclusion

Socially responsible global outsourcing has emerged as a result of favorable forces from the drastic expansion in the scale, geography, and range of global outsourcing practices and its positioning as a potential vehicle towards socio-economic development. The improvements in the price, capacity, and pervasiveness of computing and telecommunications now present a scenario where almost anywhere bandwidth and skills are available may be a potential candidate for an outsourcing center that may over time develop into a cluster. The rise in importance of CSR in business generally and in global outsourcing specifically (the crucial role of standards such as ISO 37500 and activity of industry groups such as IAOP) has seen many of the major IT services firms engaging in CSR as part of trade with their clients. The culmination of these forces coupled with large investment from the Rockefeller Foundation is manifested in the academic and practitioner movement that surrounds impact sourcing serving marginalized people in both developing and developed countries.

Notes

1. https://www.iaop.org
2. http://outsourcemag.com/more-bang-for-your-buck-four-ways-impact-sourcing-adds-value-to-your-outsourcing-spend/

References

Accenture (2012). *Exploring the Value Proposition from Impact Sourcing: The Buyer's Perspective* Available at http://www.accenture.com/us-en/Pages/insight-exploring-value-proposition-impact-sourcing.aspx

Ahmad, N., and Ramayah, T. (2013). "Does the Notion of 'Doing Well by Doing Good' Prevail among Entrepreneurial Ventures in a Developing Nation?" *Journal of Business Ethics* 106(4): 479–490.

AT Kearney (2014). *Global Services Location Index* Available at https://www.atkearney.com/documents/10192/5082922/A+Wealth+of+Choices.pdf/61c80111–41b2–4411-ad1e-db4a3d6d5f0d)

Avasant/Rockefeller Foundation (2012). "Incentives & Opportunities for Scaling the Impact Sourcing Sector." Corporate report by Avasant consultancy. Available at http://www.rockefellerfoundation.org/news/publications/incentives-opportunities-scaling

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

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

Babin, R., and Nicholson, B., (2012). *Sustainable Global Outsourcing: Achieving Social and Environmental Responsibility in Global IT and Business Process Outsourcing*, London: Palgrave.

Carmel, E., Lacity, M., and Doty, A. (2013). "The Impact of Impact Sourcing: Framing a Research Agenda." 4th International Conference on the Outsourcing of Information Services, Mannheim, Germany.

Carroll, A. B. (1991). "The Pyramid of Corporate Social Responsibility." *Business Horizons*, 34: 39–48.

Emerson, J. (2003). "The Blended Value Proposition: Integrating Social and Financial Returns." *California Management Review*, 45(4): 35–51.

Emerson, J. & Twerksy, F. (eds.) (1996). *New Social Entrepreneurs: The Success, Challenge and Lessons of Non-profit Enterprise Creation*. San Francisco: Roberts Foundation.

Everest Group (2014). "The Case for Impact Sourcing." Available at http://www1.everestgrp.com/impact-sourcing.html

Gino, F., and Staats, B. (2012). "The Microwork Solution." *Harvard Business Review*, 90(12): 92–96.

Graham, M., and Mann, L. (2013). "Imagining a Silicon Savannah? Technological and Conceptual Connectivity in Kenya's BPO and Software Development Sectors." *Electronic Journal of Information Systems in Developing Countries*, 56.

Heeks, R. (2012a). "A Model for Assessing IT Impact Sourcing Relationships." Web paper. Retrieved from http://ict4dblog.wordpress.com/tag/socially-responsible-outsourcing/2012b.

Heeks, R., (2012b). "The Research Agenda for IT Impact Sourcing." Blog: *ICTs for Development*. Web paper from http://ict4dblog.wordpress.com/2012/05/06/the-research-agenda-for-it-impact-sourcing/

Heeks, R., and S Arun., (2010). "Social Outsourcing as a Development Tool: The Impact of Outsourcing IT Services to Women's Social Enterprises in Kerala." *Journal of International Development*, 22(4): 441–454.

Heeks, R., Gao, P., and Ospina, A. (2010). "Delivering coherent ICT policies in developing countries." *eDevelopment Briefing Papers*, 14: 1–4. Retrieved from http://www.sed.manchester.ac.uk/idpm/research/publications/wp/di/short/CDIBriefing14PolicyCoherence.pdf

Heeks, R., and Nicholson, B. (2004). "Software Export Success Factors and Strategies in 'Follower' Nations." *Competition and Change*, 8(3): 267–303.

Hefley, B., and Babin, R. (2013). *Outsourcing Professional's Guide to Corporate Responsibility*. Zaltbommel, NL: Van Haren Publishing.

IAOP (2009). "Summary of Findings from the IAOP 2009 CSR Survey." IAOP Research White Paper. http://www.iaop.org/Content/23/126/1698/

Lacity, M., Carmel, E., and Rottman, J. (2011). “Rural Outsourcing: Delivering ITO and BPO Services from Remote Domestic Locations.” *IEEE Computer*, 44: 55–62.

Lacity, M., Rottman, J., and Carmel, E. (2012). “Emerging ITO and BPO Markets: Rural Sourcing and Impact Sourcing.” *IEEE Readynotes*, IEEE Computer Society.

Lacity, M., Rottman, J., and Khan, S. (2010). “Field of Dreams: Building IT Capabilities in Rural America.” *Strategic Outsourcing: An International Journal*, 3(3): 169–191.

Marques, J., and Mintzberg, H. (2015). “Why Corporate Social Responsibility Isn’t a Piece of Cake.” *MIT Sloan Management Review*, 56(4): 8–11.

Matten, D., and Moon, J. (2008). “‘Implicit’ and ‘Explicit’ CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility.” *Academy of Management Review*, 33(2): 404–424

Monitor Group/Rockefeller Foundation (2011). “Job Creation through Building the Field of Impact Sourcing.” Corporate Report by Monitor Consultancy.

NASSCOM (2015) “Indian IT-BPO Industry: Impact on India’s Growth.” Available at http://www.nasscom.in/impact-indias-growth

Nicholson, B., and Sahay, S. (2003). “Building Iran’s Software Industry: An Assessment of Plans and Prospects.” *Electronic Journal of Information Systems in Developing Countries*, 13: 1–19.

Nicholson, B. and Sahay, S. (2009). “Deinstitutionalization in the Context of Software Exports in Costa Rica.” *Journal of Information Technology*, 24(4): 332–342.

Oshri, I., Kotlarsky, J., and Willcocks, L. (2015). “The Handbook of Global Outsourcing and Offshoring,” London: Palgrave Macmillan.

Porter, M. E., and Kramer, M. R. (2006). “Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility.” *Harvard Business Review*, 84(12): 78–92.

Porter, M. E. and M. R. Kramer (2011). “Creating Shared Value.” *Harvard Business Review*, 89(1/2): 63–77.

2
The Impact of Impact Sourcing: Framing a Research Agenda

Erran Carmel, Mary C. Lacity and Andrew Doty

2.1 Introduction

Impact sourcing is an emerging phenomenon that aims to transform people's lives, families, and communities through meaningful employment in the Information Technology Outsourcing (ITO) or Business Process Outsourcing (BPO) sectors (Lacity et al. 2012). The Rockefeller Foundation has been the leading global institution promoting impact sourcing through its Digital Jobs Africa Initiative. The Rockefeller Foundation supported two key reports by The Monitor Group (2011) and Avasant (2012). In The Monitor Group/Rockefeller Foundation (2011), impact sourcing is defined as "employing people at the bottom of the base of the pyramid, with limited opportunity for sustainable employment, as principal workers in business process outsourcing (BPO) centers to provide high-quality, information-based services to domestic and international clients" (p. 2). In addition to the Rockefeller Foundation, The Monitor Group, and Avasant, a number of organizations, like the International Association of Outsourcing Professionals (IAOP 2009) and National Association of Software and Services Companies (NASSCOM) foundation,[1] and scholars have begun to examine impact sourcing (Heeks 2012ab; Lacity et al. 2012) and its related concepts, ethical sourcing (Heeks 2012a), sustainable global outsourcing (Babin and Nicholson 2009; 2012), microwork (Gino and Staats 2012), corporate social responsibility (CSR) in outsourcing (Babin 2008), social outsourcing (Heeks and Arun 2010), and rural sourcing (Lacity et al. 2011).

Impact sourcing comprises an ecosystem of different stakeholders, including the impact sourcing organizations (impact sourcers), employees of impact sourcers, communities where employees reside, and clients of impact sourcing services (Accenture 2012). To date, most of the research has focused on only two of these stakeholders – the impact sourcers and their clients. As an emerging phenomenon, our understanding of the main dependent variable – the *impact* of impact sourcing – is still quite preliminary, particularly for the effects of impact sourcing on employees and communities. In fact, most of the key sources in this paper date only a few years back, except those related to more generic international development.

The aim of this paper is to develop an impact sourcing framework that defines and categorizes key stakeholders and constructs and directs future research. Frameworks are useful to circumscribe emerging phenomena like impact sourcing. Frameworks should be comprehensive (broad enough to encompass relevant constructs), parsimonious (narrow enough to focus meaningful inquiry), distinctive (identifying the core constructs), and adoptable (constructs can be operationalized) (Lacity 1990; Gorry and Scott Morton 1971; Mason and Mitroff 1973; Ives et al. 1980).

To inform the development of a research framework, we draw on a number of related disciplines. From the Information Systems literature, we are beginning to understand the impact sourcing phenomenon from the perspectives of impact sourcing organizations, that is, impact sourcers, and impact sourcing clients. *Impact sourcers* are the entrepreneurial organizations hiring, training, and employing marginalized populations in ITO and BPO delivery centers (Lacity et al. 2012). *Impact sourcing clients* are the client organizations purchasing ITO and BPO services from impact sourcers (Heeks 2012ab; Lacity et al. 2012). The IS literature is also informing the phenomenon by understanding how Western-based client firms insert CSR objectives into ITO and BPO provider assessments (Babin and Nicholson 2012). Strategy literature also informs the broader issues of CSR (Porter and Kramer 2006) and its newer concept, Creating Shared Value (CSV) (Porter and Kramer 2011). However, the IS and strategy literatures to date have not examined thoroughly the impact of impact sourcing on the key stakeholder, the *employees*, that is, the people whose lives are presumably changing as a result of impact sourcing. We see this gap as our primary call for future research.

The analysis and means of understanding the social impacts of impact sourcing may best be informed by the *International Development* literature, including work on socially responsible investing (Viviers and Eccles 2012) and the digital divide (Doong and Ho 2012). Impact Sourcing is also unique in that it shares some aspects of emerging pro-poor, market-based, poverty reduction strategies, but cannot be classified or analyzed entirely as such. Some terms, points of reference, and metrics for monitoring and evaluating impacts and outcomes can be drawn from the field of *social entrepreneurship* and *social investment*, while other metrics are drawn directly from the development literature. The interplay of these different disciplines makes impact sourcing unique in its approach and its execution.

We begin with refining the definition of impact sourcing.

2.2 How is impact sourcing best defined?

We revisit the definition of impact sourcing by the reports sponsored by the Rockefeller Foundation and then review other definitions by Gino and Staats (2012), Accenture (2012), and Heeks (2012ab). Each definition describes a type of population targeted for employment and the type of work performed. We then offer our own definition that considers the core ideas from each.

As we noted in the introductory paragraph, The Monitor Group/Rockefeller Foundation (2011) defines impact sourcing as "employing people at the bottom of the base of the pyramid, with limited opportunity for sustainable employment, as principal workers in business process outsourcing (BPO) centers to provide high-quality, information-based services to domestic and international clients." This definition is prefaced by the statement: "This paper focuses on using the power of BPO 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 $3000 of local purchasing power." The reports' definition emphasizes the notion of poverty, that is, people earning less than $3,000 a year, as the main criterion for employment that qualifies as "impact sourcing." The definition also focuses solely on the *outsourcing* of *business process* work.

Gino and Staats (2012) describe impact sourcing as where one can "...hire and train people at the bottom of the pyramid to execute digital tasks like transcribing audio files and editing product databases" (p. 95). The authors call impact sourcing the "microwork solution." The definition emphasizes the notion of poverty as the main criterion for employment and low-level digital tasks as the type of work. Indeed, there is an important overlap between impact sourcing and microwork. Microwork, with its many competing terms (such as human cloud and crowdsourcing; Kaganer, 2012) describes sourcing to a distributed workforce of freelancers. Some of the tasks are so small that they have been labeled microtasking or even nanotasking. For example, The Monitor Group/Rockefeller Foundation (2011) mentioned TxtEagle, a well-known microsourcer, as an example of an Impact Sourcer. TxtEagle's business model is to pay people for tasks of short duration: a few seconds or a few minutes. Tasks are delivered and paid for on a mobile device.

Heeks (2012ab) views impact sourcing as comprising two ways clients engage people from the bottom of the pyramid: ethical outsourcing and social outsourcing. ***Ethical outsourcing,*** also called ***socially-responsible outsourcin***g by Heeks, is when client firms add ethical requirements to commercial requirements, "typically relating to labour practices but also starting to include environmental issues." ***Social outsourcing,*** also called ***developmental outsourcing***, means contracting out to social enterprises seeking improvements in human and environmental well-being via commercial, profit-driven strategies (Heeks and Arun 2010). The definition is a client's view of engaging people from the bottom of the pyramid, or ***BoP sourcing***. Indeed, this is inspired by Prahalad's argument that sourcing is good for the Bottom of the Pyramid (Prahalad 2010). BoP sourcing and impact sourcing may be broadly put into the category of pro-poor poverty alleviation strategies. However, there is a substantive distinction between Impact Sourcing and BoP sourcing; Avasant/Rockefeller Foundation (2012) underlines this important distinction: "Impact Sourcing is a specific subsector of the BPO industry, focusing exclusively on engaging poor and vulnerable people who may not otherwise qualify for a BPO job."

Finally, Accenture (2012) defines impact sourcing as "outsourcing that benefits disadvantaged individuals in low employment areas." The definition is broader than previous definitions because "disadvantaged" individuals would not be defined solely by income level. The definition does not define the type of work, but does focus on *outsourcing*.

By considering these four definitions, we argue that the definition of impact sourcing should include a broad spectrum of "disadvantaged" individuals – or as we call them, "marginalized" individuals – as noted by Accenture (2012). We also believe that the type of work should be included in the definition, or else all work, including manual labor and other BoP sourcing, might be included as impact sourcing when clearly all authors are referring to some type of IT-enabled, white-collar services. We also posit that impact sourcing should include IT services, not just business process services or microwork. Finally, we believe that the definition should not be confined to outsourcing, as organizations may choose to erect "captive" centers or other in-house forms of impact sourcing. We thus propose the following definition:

> Impact Sourcing: the practice of hiring and training marginalized individuals who normally would have few opportunities for good employment to provide information technology, business process, or other digitally enabled services.

Our definition uses the term "marginalized" because it includes factors other than just poverty. Marginalized individuals are individuals relegated or confined to a lower or outer limit or edge of social standing. Individuals might be marginalized because of income, but also because of education, race, religion, gender, sexual orientation, disability, location, or other criteria. Furthermore, our definition focuses on IT, BP, and other digitally enabled services (like microwork) and includes both outsourcing and insourcing.

2.3 Measuring impact in the field of international development: literature and practice

This paper was originally written for a *sourcing* conference that is within the field of *Information Systems*. Typically, the framing of inquiry in this discipline is on the firm, the business engagement, or the industry. However, the avenue to understanding the broader impacts of impact sourcing comes from the *International Development* literature. Impact sourcing is novel in that it shares some aspects of emerging pro-poor, market-based, poverty reduction strategies, but cannot be classified or analyzed entirely as such.

The goal of the field of international development is to make positive changes for human life, primarily in low-income nations. The international development field has been tackling the measurement question for decades as a result of many billions of dollars spent on interventions in nearly every nation on the planet.

In international development two constructs – monitoring and evaluation – are inextricably linked (PMD Pro Guide 2012. Impact evaluation is the more technical, and often more complex, side of the coin. According to the International Fund for Agricultural Development (IFAD), evaluation is a more periodic process that takes on fundamental questions about program progress (IFAD 2002). Monitoring, in a formal capacity, occurs when outputs and outcomes are compared to data about select indicators and performance targets.

2.3.1 Measuring impact in practice

How are these concepts implemented? We look at three of the leading social entrepreneurship organizations – TechnoServe, Ashoka, and Root Capital – in order to understand the approaches of evaluation and monitoring currently used in the field. We culled and adapted from the concepts introduced by these three organizations, and described them below, to help build Table 2.1 which is our central display that appears later in Section 2.4.

TechnoServe looks at impacts in three principal areas: direct market players, suppliers, and the business environment. (TechnoServe 2013) For each of the components of the market system, it looks at specific impacts. As such, for direct market players, it looks at increases in revenues[2] (315 USD million earned in revenue and $81 million in profit), transformation of lives (2.5 million men, women, and children benefited from TechnoServe income sources), and the number of purchased products (142 USD millions of product was purchased from 447,000 small businesses). For suppliers Technoserve looks at the number of businesses that benefited from TechnoServe services and products. It calls this “building business and industry,” and then it shows that 4,500 businesses were assisted in 12 industries. Finally, business environment is also measured by the number of people who were employed (employed 61,000 employees who earned 20 USD million in wages).

TechnoServe takes a holistic approach to understanding impact, not isolating only impacts on livelihoods of beneficiaries, but looking at the whole system of participants in the “market.” In theory, this allows assessments to catch spillover effects from and between categories.

Ashoka is a well-known social enterprise agency. Ashoka highlights systemic change as an impact, defining it as: "shifting societal perceptions, encouraging new behavior patterns, and revolutionizing entire fields" (Leviner et. al. 2007). The firm designed an approach called the Measuring Effectiveness (ME) method. It is a survey sent to fellows asking them about effectiveness using several proxy variables. The proxy variables identify ways in which perceptions have changed, new behaviors have emerged, and how a field may have changed. The proxy variables include: replication of a fellow's idea, influence on public policy, whether the fellow is still working towards original vision, and what position the organization holds in the field (see Figure 2.1).

The evaluation is conducted in two parts, first through an annual survey to measure outputs to see if entrepreneurs are meeting benchmarks at the end of each year. These benchmarks are established at the beginning of the fellowship period. The second portion measures longer-term outputs – sent at 5 and then at 10 years – to see how much of their work is being used and replicated. The final piece is a series of case studies to gather more in-depth qualitative data.

Ashoka's method of evaluation includes short-term methods to understand and evaluate outputs, and long-term methods to evaluate outcomes. It also includes quantitative measures (whether programs are meeting benchmarks set at the beginning of the fellowship), and qualitative methods of inquiry through the surveys and the case studies. This mix of quantitative and qualitative methods provides greater depth of analysis, forming a hybrid of models to answer multiple questions.

Root Capital is a non-profit social investment fund. It works with poor and environmentally vulnerable areas in Africa and Latin America to deliver technical

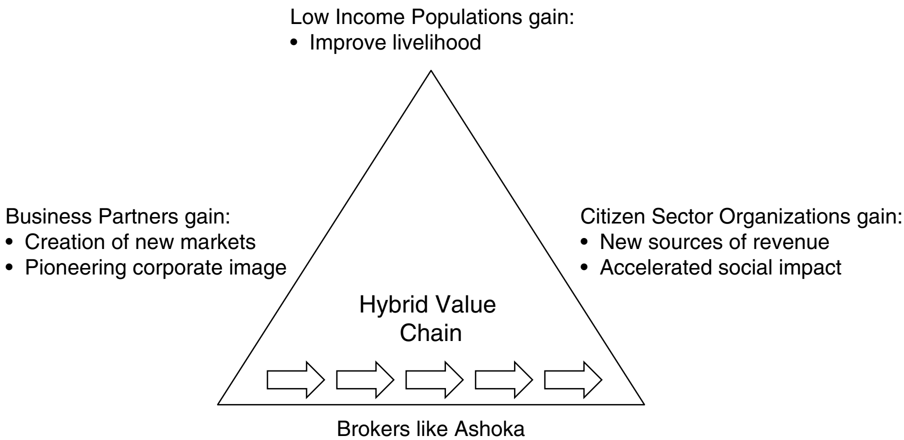


Figure 2.1 The Ashoka HVC model

Source: Ashoka website on https://www.ashoka.org/hvc training, financial training, lend capital, and strengthen market connections. It aims to build more sustainable livelihoods by aggregating small businesses in each region (Rootchange.org 2013). Root Capital largely rejects qualitative measures and emphasizes performance through quantitative means.

Measures of lending impacts include: the number of loan disbursements made, the number of household members reached by Root Change programming, the total number of loans, the total number of borrowers, and other lending measures. Business growth is measured, traditionally, by revenues. Training impact is measured by number of businesses trained. Root formulated a concept of "sustainable livelihoods" which is measured by the amount in payments to producers, number of producers reached directly, the number of producers reached indirectly, the number of household members reached by programs. Additionally, gender, inclusion, and the environment are measured quantitatively. Environmental impact is measured through the number of hectares under sustainable cultivation.

Root measures quantitatively how much households were able to buy before and after intervention. This is consistent with anecdotes the authors have heard about impact sourcing's immediate impact: the ability of a household to acquire a capital good or to invest in human capital (education) for one of its members.

2.3.2 Other approaches

The United Kingdom's Department for International Development (Stern et al. 2012) stated that it is important to identify the proper causal pattern in development. Impact sourcing is the cause (or intervention) with multiple associated outcomes: improving livelihoods, building skills and capacity, increasing incomes. Impact sourcing will likely have effects at the household level, the community level, and the national level. Technology transfer and knowledge transfer will occur, strengthening local and national capacity. Jobs will be created, providing access to capital for poor families, and increasing incomes.

Heeks and Arun (2010) identify three levels of impact: outputs (short-term, immediate effects), development outcomes (longer-term effects), and development goals (the ends of a program) that can be expected to come from impact sourcing activities. These outputs, outcomes, and goals are at the national level, looking at impacts countrywide that will result from impact sourcing.

Outputs are the immediate benefits of a development program or intervention. Outcomes are longer-term benefits. Governments will benefit from new factories, new investments, contracts, and jobs for their citizens. Softer measures include such benefits as "how efficiently a project is run, how accurately it can stay on schedule and whether a failing project is discontinued before undue investment in it is made" (Lorenzetti, 2002) as well as increased employee morale and greater satisfaction from work.

The highest level of impact is the level called *development impacts* – goals or strategic objectives in a standard international development logic model (PMD Pro Guide 2012. Heeks and Arun (2010) posit that the strategic object that could be reached as a result of impact sourcing is meeting one of the Millennium Development Goals (MDGs).

2.4 The research framework

The impact-sourcing ecosystem comprises four key stakeholders: impact sourcers, clients, employees, and communities (Accenture 2012). Our research framework examines the key constructs relevant to each stakeholder and proposes a number of dependent variables to measure the effects of impact sourcing on these groups (see Table 2.1). The framework also includes important global and government issues relevant to impact sourcing. Pertaining to the dependent variables, we ask again: What is impact? Impact is defined by the OECD-DAC as "positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended" (OECD-DAC in Stern et al. 2012). Additionally, the World Bank defines impact as " ... assessing changes in the wellbeing of individuals, households, communities or firms that can be attributed to a particular project, program, or policy" (The World Bank in Stern et al. 2012). These definitions provide a broad understanding of how impact sourcing can be assessed.

2.4.1 Impact sourcers

Impact sourcing is defined as a *practice,* but the practice is enacted by an entity and thus implies an impact sourcer which we define as:

> Impact Sourcer: An organization that employs marginalized individuals who normally would have few opportunities for good employment to provide information technology, business process, or other digitally-enabled services.

Much of the empirical work on impact sourcing has focused on case studies of impact sourcers. Case studies describe the history of the impact sourcers, service offerings (IT, BP, or other services like microwork), and workforce development strategies.

2.4.1.1 Business models

A key construct is the business model used by each impact sourcer. Business models largely deal with the degree of intermediation between the impact sourcing client and the endpoint employees. We note that from a competitive perspective, impact sourcing affects industry strategy and the competitive

Table 2.1 Impact sourcing research framework

	Impact Sourcers	Clients	Employees	Communities	Global and Government Issues
Key Constructs	Business Models[1, 3] Service Offerings[2] Workforce Development[2]	Value Proposition[1, 2] Sourcing Criteria [5, 7]	Marginalized Individuals[2]	Population Size (Rural/Urban) [2, 3] Income per Capita[3] Education[3] Digital Divide	Size of Market[3] Location Attractiveness[1] Public Policy[2, 8]
Dependent Variables	Financial Outcomes Workforce Outcomes [2] Double or triple bottom line[4, 5, 6]	Cost saving[1, 2] Service quality[1, 2] CSR objectives met[1] Client satisfaction[1] Provider portfolio expanded geographically or to new workforces[1]	Income[1] Change in household's purchasing power Number of people trained Support family[1] Inclusion Access to healthcare/ education[1] Job satisfaction Turnover intention Changes in self-efficacy, esteem, and image Changes in personal relationships such as power within the family or community Transformation of lives/ Sustainable livelihoods	Increased purchasing power[1] Healthier community members[1] Increase in employment[1] Number of local businesses that benefited as suppliers to the new impact-sourcing entities New behaviors that emerged Influence in public policy	Public Policy Effectiveness[2, 8]

[1]Accenture (2012); [2]Lacity et al. (2012); [3]The Monitor Group/Rockefeller Foundation (2011); [4]Porter and Kramer (2011); [5]Heeks (2012ab); [6]Ramus and Vaccaro (2012); [7]Babin and Nicholson (2012); [8]Avasant/ Rockefeller Foundation (2012)

landscape within the intermediaries that provide impact sourcing. The basic business models are highly dependent on intermediaries as a channel for managing the employees and the tasks. Business model classifications have been developed by The Monitor Group/Rockefeller Foundation (2011) and Accenture (2012). The Monitor Group/Rockefeller Foundation (2011) identified five business models: Micro-distribution, Intermediary, Subcontractor, Partner, and Direct (see Table 2.2).

Micro-distribution: The Impact Sourcer ("IS") (called the IS Intermediary/ Service Provider in Table 2.2) acts as an intermediary that takes large tasks from clients and breaks them into micro tasks and distributes work to remotely located workers. As described previously, when we introduced microwork, most such cases used distributed freelancers.

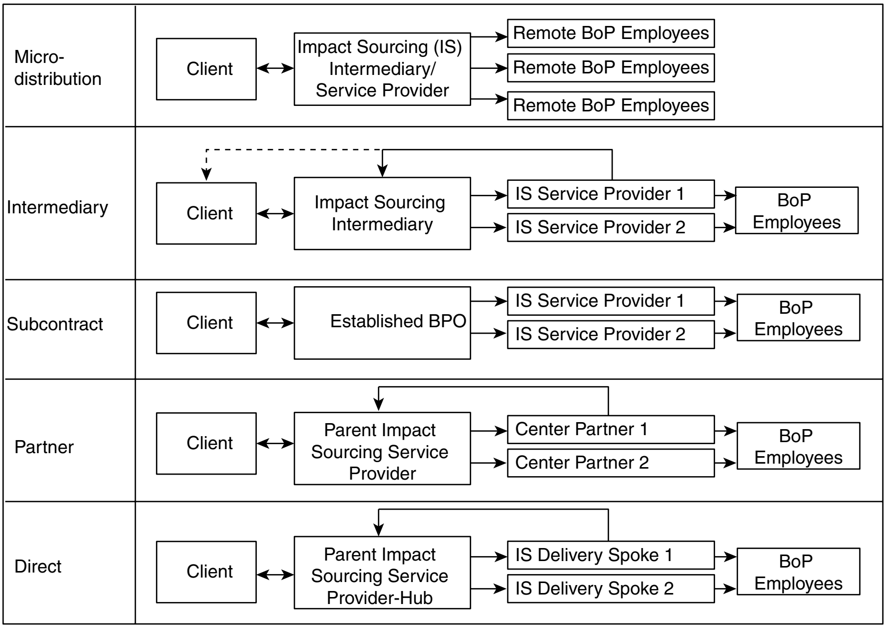
Intermediary: This model involves two impact sourcers. The Impact Sourcer Intermediary serves as the client-facing sales office, quality control check, and work distributor. The Impact Sourcer Service providers focus on service delivery. Samasource is an example.

Subcontract Model: An established BPO provider outsources part or all of long-term contracts to IS centers that work exclusively for them. Avasant/Rockefeller Foundation (2012) cites Paradigm Express as an example of an IS service provider that gets it work from the established Paradigm Infotech in India.

Partner Model: This model is similar to the intermediary model except that the IS Intermediary acts as a parent to the center partners. RuralShores is an example.

Direct Model: This model is described as a hub-and-spoke model in which the parent IS provider builds spoke IS delivery centers as needed to meet client demand. According to The Monitor Group/ Rockefeller Foundation (2011), DDD is an example.

Table 2.2 Five impact sourcing business models



[1]Accenture (2012); [2]Lacity et al. (2012); [3]The Monitor Group/Rockefeller Foundation (2011); [4]Porter and Kramer (2011); [5]Heeks (2012ab); [6]Ramous and Vaccaro (2012); [7]Babin and Nicholson (2012); [8]Avasant/Rockefeller Foundation (2012)

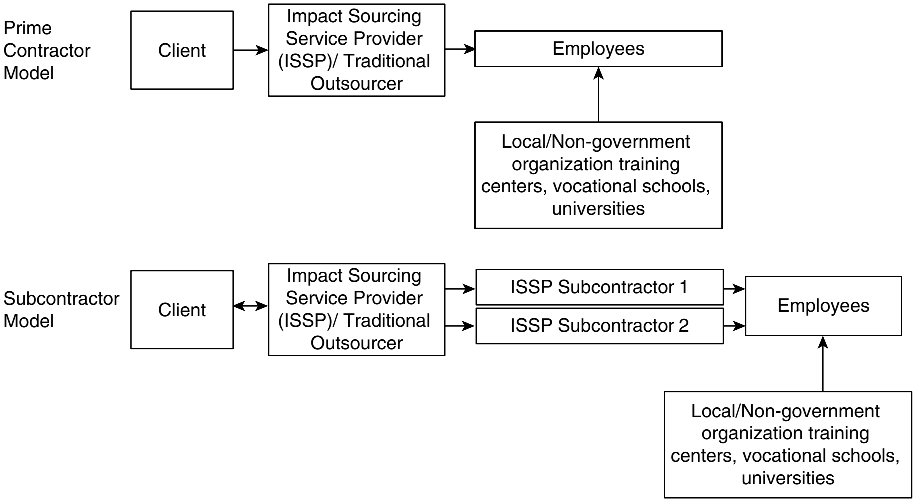


Figure 2.2 Two impact sourcing business models
Source: Adapted from Accenture (2012).

Accenture (2012) offers a simpler classification than the Rockefeller Foundation of impact sourcing business models. Accenture distinguishes between the prime contractor and subcontractor models (see Figure 2.2). With the prime contractor model, an established outsourcing firm owns the outsourcing contract, interacts with the client, and owns or part-owns the delivery center that employs the workers from "disadvantaged" populations. With the subcontractor model, the established outsourcing firm owns the outsourcing contract and interacts with the client, but a subcontractor delivers the service and performs the day-to-day service. Accenture also recognizes that these models are not mutually exclusive because established outsourcing firms operate in complex environments and often multiple contracts are being delivered that have different commercial terms.

2.4.1.2 Service offerings

To distinguish impact sourcing from the broader category of Bottom-of-the-Pyramid sourcing, we focused the definition of impact sourcing on **information technology**, **business process**, or **other digitally enabled services.** This captures a wide spectrum of task complexity, ranging from the microwork to the complex tasks of developing software at Matrix Global, Cayuse Technologies, and Onshore Outsourcing described by Lacity et al. (2012). Digital services include work that involves data, such as verifying phone numbers on websites, transcribing handwritten or voice inputs, and data entry. Business process services include call center work, drafting documents, processing forms, building reports, maintaining content, and coding services. Information technology services include coding, testing, building (e.g. websites), data conversion, platform conversion, user documentation, and technical documentation.

From preliminary evidence, the service offerings of impact sourcers are ever evolving. At US-based Cayuse Technologies, the firm initially focused on IT services, but by 2012, 65% of the business was devoted to business process services. At Onshore Outsourcing, the service offerings have expanded and the major source of revenues has shifted from web development, to .NET development to application maintenance (Lacity et al. 2012). The CEO said to us in 2013 that increasingly Onshore Outsourcing's service offerings are moving "from build [systems] to run [systems]."

2.4.1.3 Workforce development strategies

Impact sourcers pursue strategies for recruiting, training, on-boarding, and developing employees. Lacity et al. (2012) examined these practices for a number of impact sourcers, including Cayuse Technologies, Samasource, and Matrix Global. From the limited empirical data, most impact sourcers seem to recruit locally where the targeted marginalized individuals reside. Local recruitment practices include job fairs, advertising, word-of-mouth, and employee referral. Some impact sourcers use psychological tests to assess stability, maturity, and emotional intelligence. For more advanced IT services, aptitude tests may be used to assess problem-solving skills, logical reasoning, and the ability to diagram.

Depending on the complexity of work, impact sourcers use on-the-job training, boot camps, subsidized two-year technical college training, and/or work-study programs. Impact sourcers may initially hire employees as "interns" before committing long-term to an employee. From several case studies, marginalized employees who are trained and employed seem highly appreciative and satisfied at first. However, most human beings need to be constantly challenged, and creating career paths for employees became an issue for several impact sourcers studied (Lacity et al. 2012). Employees from two case studies also became dissatisfied with their pay when they compared their salaries with other people performing similar work in more established provider organizations. For impact sourcers, workforce development strategies must evolve and adapt.

Some preliminary evidence also suggests that although turnover of impact sources is quite low – around 3% to 7% in case studies – absenteeism can be quite high (Lacity et al. 2012). Marginalized individuals may not have access to day care, adult care, transportation, or other community support services that enable steady attendance.

2.4.1.4 The dependent variables for impact sourcers

What is the impact of impact sourcing on the impact sourcers? Another way to ask this question is "How is success defined and measured for impact sourcers?" As a provider of services, traditional financial measures of success apply, including revenue, profitability, return on investment, and market growth. Prahalad (2004) points out that the Bottom of the Pyramid opens up a large market potential and should therefore be financially beneficial to corporations. For example, his cases demonstrate profitability and strong Return on Equity. Client satisfaction, repeat business, and positive client referrals might also be important surrogates of impact. As an employer, measures of turnover, absenteeism, and employee satisfaction could also indicate success.

But as impact providers, success should also include some measures relevant to the social mission of the firm. For example, impact sourcers aim to recruit and train marginalized individuals, but their entire workforce will comprise a mix of professional and marginalized individuals. Cayuse Technologies, for example, employed 280 people in 2011, of which 54 were tribal members (19%). Accenture (2012) further measured outcomes for Cayuse Technologies by tracking the number of incremental tribal employees trained, jobs created, and total number of tribe members employed over a three-year period from 2009 to 2011. For impact sourcers, we see that tracking these measures can indicate the effect of impact sourcing.

Outside the few research articles targeted at impact sourcing specifically, the strategy literature has studied the societal impacts of the firm (Ramus and Vaccaro 2012). Ramus and Vaccaro (2012), for example, examine the social enterprise that is a blend between a pure profit-making enterprise and a not-for-profit. This hybrid entity is useful because some of the impact sourcing firms take on characteristics of social enterprises. Their purpose is to "achieve a social mission and financial profitability"; their measure of performance and accountability is the ***double bottom line*** of financial and social indicators. Porter and Kramer (2006) discuss how firms should choose CSR projects, calling for the strategic targeting of corporate social responsibility at the firm level. But more pertinent to impact sourcing is the follow-up piece about Creating Shared Value (CSV) at the firm level (Porter and Kramer 2011). The authors argue that creating shared value should supersede corporate social responsibility (CSR) in guiding how firms should support communities. Whereas CSR only focuses on the benefits, CSV focuses on the overall economic and social benefits relative to cost. The concept of CSV could relate to impact sourcers, particularly for impact sourcers supported by tax abatements, government funding for training, or wage subsidies. The overall value that impact sourcers generate should consider these costs.

Other authors have argued for a **triple bottom line**: economic, ecological, and social impact (Elkington 1995, 1997; Savitz and Weber 2006). For Elkington (1997), the triple bottom line refers to the fair and beneficial treatment of **people**, sustainable environmental practices to protect the **planet**, and economic value captured as **profit**. Heeks (2012ab) is the first author, we believe, to apply the idea of the triple bottom line as an output measure of impact sourcing.

2.4.1.5 Research questions about impact sourcers

Several publications have addressed key constructs pertaining to impact sourcers, including business models, service offerings, and workforce development (Accenture 2012; Gino and Staats 2012; Lacity et al. 2012; The Monitor Group/Rockefeller Foundation 2011; Avasant/Rockefeller Foundation 2012). As expected from an emerging phenomenon, the research thus far has focused on descriptive case studies and identifying key constructs. The full population of impact sourcers has yet to been identified, and we still need basic data on the number and types of impact sourcers across the globe. We also do not know how successful the population of impact sourcers is as related to any of the dependent variables. There is also little research that yet attempts to assess how key constructs affect the dependent variables described above. Because so many of these impact sourcers are new, longitudinal case studies would help us understand better how business models, service offering, and workforce development strategies emerge over time and how these changes affect outcomes. Thus, we posit that the following research questions pertaining to impact sourcers are worth investigating:

- How many impact sourcers exist worldwide?
- What percentage of impact sourcers are successful in terms of economic, social, and/or environmental outcomes?
- How do impact sourcers' business models, service offerings, and workforce development strategies affect outcomes?
- How do impact sourcers' business models, service offerings, and workforce development strategies evolve over time?

2.4.2 Impact sourcing clients

We next discuss impact sourcing clients, that is, the buyers of impact sourcing services. The client's value proposition for wanting to buy services from impact sourcers and the inclusion of ethical/social criteria in sourcing evaluations are discussed in this section.

2.4.2.1 The value proposition

A value proposition is "a promise of value to be delivered and a belief from the customer that value will be experienced" (Wikipedia). According to Accenture (2012), the value proposition for impact sourcing is strong. Besides helping disadvantaged individuals, clients have an opportunity to positively impact their growth objectives and internal CSR agenda. Accenture (2012) notes, however, that CSR contributions are superseded by a client's business reasons for outsourcing; costs, quality, freeing up strategic company resources, and global expansion priorities come before CSR objectives. Accenture (2012) depicts the value proposition of impact sourcing in Figure 2.3.

Lacity et al. (2012) assessed the client value proposition using interviews with impact sourcers and their clients. Impact sourcers in the study aim to make the world a better place by employing marginalized populations. At OO, founder Shane Mayes aims to give "no collar" rural people better lives. At Cayuse Technologies, tribal leaders aim to diversify their economic base beyond casino gaming, fishing, and agriculture. At Matrix Global, the founder of the subsidiary aimed to provide good jobs for ultra-religious women who had few opportunities for good employment close to home. At Samasource, founder Leila Chirayath Janah aims to end poverty in the digital age. Impact sourcing providers, however, did not prophesize their social missions to clients; they sell clients good services at a good price. The clients we interviewed bought services from impact sourcers based first on price and quality of services. Some clients additionally said that hiring the impact sourcer helped to meet corporate social responsibility objectives, such as buying a certain amount of services each year from minority-owned businesses. Of course the value proposition for individual clients varies, as some buyers cited low cost, ease of doing business, nationalism, corporate social responsibility (CSR), and low turnover as part of the value proposition of their impact sourcing engagements.

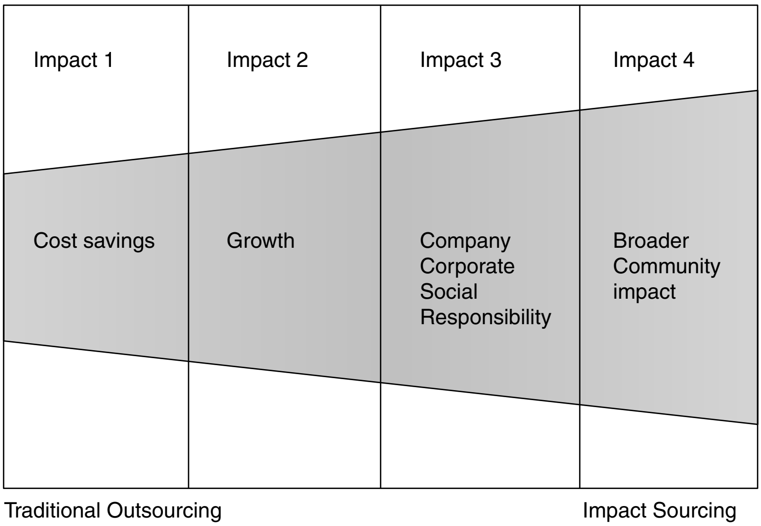


Figure 2.3 Accenture's view of impact sourcing's value proposition
Source: Adapted from Accenture (2012).

2.4.2.2 Sourcing criteria

What criteria do clients use to assess impact sourcing as a sourcing option? There is very little research on this specific topic other than Accenture (2012). Accenture's survey asked respondents, "Once the cost and quality expectations have been met, which criteria are most important for evaluating impact sourcing?" Risk, infrastructure reliability, and economic stability were the top three criteria after cost and quality (see Figure 2.4).

The Accenture (2012) survey also found that clients who operate and sell their products and services in Africa and the Middle East are more likely to participate in impact sourcing. Client firms, however, identified a number of barriers that needed to be overcome in order for them to consider impact sourcing. The top five barriers were security, language skill availability, infrastructure reliability, experience, and regional stability.

In the broader and global ITO and BPO markets, researchers have examined sourcing criteria that include ethical, social, environmental, and sustainability criteria (Babin 2008; Babin and Nicholson 2012; Park and Hollinshead 2011; Pratt 2008). Most of these sourcing criteria are used by larger client firms to assess large global ITO and BPO providers. At this stage in the impact sourcing journey, these terms are therefore only tangentially relevant. For sake of comprehensiveness, we discuss these terms below but conclude that the concept of ***social outsourcing*** is the most relevant sourcing criteria for impact sourcing (Heeks and Arun 2010).

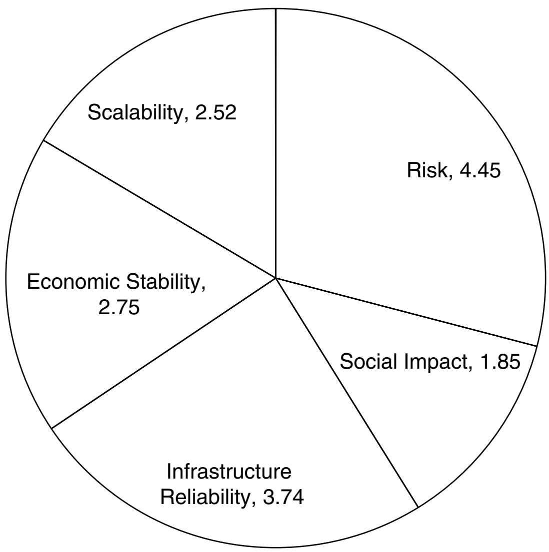


Figure 2.4 Criteria for impact sourcing after cost and quality expections have been met
Source: Adapted from Accenture (2012).

The essential idea behind CSR considerations in outsourcing decisions, socially responsible outsourcing, ethical outsourcing, and sustainable global outsourcing is that client firms need to consider more than costs, service quality, and risks when selecting outsourcing providers. Since the first publications on this topic in 2008, considerable client interest in and provider adoption of ethical, social, and environmental responsibility has increased.

CSR considerations in outsourcing decisions. Babin (2008) asked the question, "How do clients view CSR in IT Outsourcing?" Although only ten people responded to the survey, this is one of the first pieces of research that addresses this question. Babin found that CSR was not an issue in the 2008 outsourcing environment – but that it would be in the future.

Socially responsible outsourcing (SRO). Socially responsible outsourcing is the responsibility of an organization (clients and providers) for the impacts of its decisions and activities on society through transparent and ethical behavior (Hefley 2009; Heeks 2012ab). The CEO of Digital Divide Data defined socially responsible outsourcing as "an outsourcing model that operates strategically to yield social benefits in addition to its traditional commercial revenues" (Babin and Hefley 2009, p. 9). Babin and Nicholson (2012) conducted three surveys, each of which asked whether clients would outsource to developing regions of the world as an act of social responsibility. In the NAO survey of 32 respondents, 42% would not consider outsourcing as a social responsibility. In the IAOP survey of 166 respondents, 58% indicated they would never or rarely outsource because of SRO. In the CORE survey of 44 Canadian practitioners, the percentage was 75%. In a follow-up question on the IAOP survey, the authors asked respondents to what degree would they follow SRO guidelines if the IAOP were to adopt them. Eighty-five percent of respondents said they would either completely or partially follow a set of SRO guidelines.

Ethical outsourcing. Park and Hollinshead (2011) define ethical outsourcing broadly as "outsourcing based on ethical guidelines and principles." Their principles take into consideration employees in the United States (ensuring that contractors are laid off first if necessary, rather than employees) as well as their counterparts overseas.

Sustainable global outsourcing. Babin and Nicholson (2012) describe sustainable global outsourcing as a client's sourcing objective to require providers to meet their sustainability expectations. The authors cite Wal-Mart as an example. Wal-Mart introduced environmental criteria to assess its 100,000 suppliers worldwide and requires environmental reporting.

All researchers cited above urge clients to consider ethical, social, and environmental criteria in their sourcing evaluations. For providers, the implications are even greater. Providers must not only develop actual ethical, social, and environmental competencies, they must be able to demonstrate these competencies to potential clients. Large global providers, for example, may pursue certain certifications to demonstrate their "greenness" or their "social responsibility," including GRI (sustainability index), ISO 14001 (environmental management specifications), ISO 26000 (social responsibility standard), The Dow Jones Sustainability Index, and FTSE4Good Index. Porter and Kramer (2006) are very skeptical of these indices as many rely on company self-reported data. As these standards and indices apply to information technology providers, Babin and Nicholson (2011) rated the top 24 providers – all large global providers like Accenture, IBM, CapGemini, TCS, and Wipro. Will impact sourcers need to adopt these sophisticated standards to attract clients?

As far as sourcing criteria for impact sourcing, the concept of social outsourcing seems most relevant:

Social Outsourcing. Heeks and Arun (2010) define social outsourcing as the contracting out of goods or services to social enterprises. They examined how the government of Kerala, a state within India, outsourced IT services to cooperatives of women from below-poverty-line families. Their paper is one of the few that address the impacts of impact sourcing on the marginalized workers, but we are also interested in this research from a client perspective – the reasons why the client (in this case the government) selected social outsourcing which aimed for a triple win of enriching a disadvantaged group in society, saving money, and delivering on neo-liberal, good-government, and developmental political agendas.

2.4.2.3 The dependent variables for clients

A client manager's main fiduciary duty is to act in the best interests of his/her shareholders by efficiently and effectively managing the firm's resources. As such, clients should select outsourcing providers based on overall value by primarily considering **costs** and **service quality**. We therefore argue that these are the main dependent variables that should be used to assess the impact of impact sourcing on clients. In addition, other dependent variables might include **the degree to which CSR objectives were met, the level of client satisfaction**, and the **degree to which the impact sourcing engagement enhances the client's global sourcing portfolio** by accessing new geographies or new workforces (Accenture 2012; Babin and Nicholson 2012; Lacity et al. 2012).

Other dependent variables also could be assessed. Returning to Cayuse Technologies as an example, Accenture measured a Telecom client's impact of engaging Cayuse Technologies from the period 2009 to 2011. The measures that improved over time include: percentage of cost savings objectives achieved (from 47% in 2009 to 100% in 2011), total employee giving, total employee health care, total workforce diversity (increase in percentage of women and people of color). Only one measure decreased over time, the total giving to local communities.

2.4.2.4 Research questions for clients

As an emerging market, many clients may still be unaware of impact sourcing as a viable option. Thus repeated surveys of potential and actual impact sourcing clients are warranted. Research questions include:

- Under what circumstances do clients consider impact sourcing a viable sourcing alternative?
- What sourcing criteria do clients use to assess impact sourcing and impact sourcers?
- Do clients expect impact sourcers to compete with traditional ITO/BPO providers or are assessments separated?
- What are the anticipated and actual effects of impact sourcing engagements on client firms?
- To what extent do best practices[3] from engaging traditional providers apply to impact sourcers?

2.4.3 Impact sourcing employees

Based on our review of the existing work on impact sourcing, we find the greatest knowledge gap in studies of those marginalized individuals targeted for employment by impact sourcers – and the actual effects that impact sourcing has on these individuals. The case studies in Table 2.2 include some interviews with employees of impact sourcers, but no detailed analyses of the actual effects of impact sourcing on employees were presented in these case studies. In this section we focus on examples of marginalized populations and suggest how researchers might go about assessing the effects of impact sourcing on these individuals.

2.4.3.1 Marginalized populations

Marginalized individuals are individuals relegated or confined to a lower or outer limit or edge of social standing. As many organizations and researchers have noted, poverty is a primary attribute of many marginalized individuals. The United Nations Development Program (UNDP, 2008) defines marginalized: "[women], the young, the elderly, the impoverished and homeless, the disabled, and those of different sexual orientations." The Food and Agricultural Organization (FAO, 2004) extends this definition by including, "Small subsistence farmers, women, youth in urban and rural areas, indigenous people, nomads, mountain people, refugees, landless labourers, rural artisans, small fishermen, inhabitants of small islands…migrant workers, Diasporas, victims of AIDS, the disabled, and victims of war and conflict situations."

Impact sourcing firms must conduct their analyses and draw up their contracts with the intent of targeting these marginalized groups. Chamber (2008) cautions about *bias* that draws development projects away from marginalized groups. The most salient of these biases are spatial and personal. The spatial bias draws development projects to target cities and towns with infrastructure already in place, leaving underdeveloped to remain drastically so and overdeveloped areas to continue receiving funds and attention. The personal bias favors prominent males in poor communities rather than entire populations.

An important aspect of evaluating impact is assuring that impact is measured in all relevant groups of beneficiaries. The difficulty of doing so is that often the most marginalized populations are the most difficult to locate, the least likely to benefit from development projects, and the least visible. As impact sourcing is a phenomenon of the 2010s, it has the opportunity now, at its outset, to make a sincere effort to include marginalized populations.

Below we describe some examples of such marginalized populations.

Native Americans. Native American is a term used to describe indigenous populations of tribes that preceded European immigration. There are approximately 1.4 million Native Americans, 64,103 Alaskan Natives, including Eskimos, American Indians, and Aleuts. About half of the Native American population lives on reservations. Among the 300 plus federal and state reservations, all reservations are located in remote areas and all but two have populations of less than 10,000. Income, employment, and graduation rates on reservations are considerably lower than national averages.[4] In the United States, Congress passed the Indian Gaming Regulatory Act of 1988 which recognized the right of Native American tribes to establish gambling and gaming facilities on their reservations. Since then, gaming has been the main source of employment and economic development for many tribes, along with fishing and agriculture. Impact sourcing promises to offer this population much better employment opportunities. Cayuse Technologies, for example, was founded in 2006 and is owned by the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) of the northeast region of Oregon. The idea for the company came from Randy Willis – an Accenture executive and a Lakota tribe member – when he was visiting friends on the reservation. Willis knew that the reservation, with 17% unemployment, needed opportunities for employment beyond the Wildhorse Hotel and Casino (Lacity et al. 2011). Another source claims the unemployment rate was 35% before Cayuse Technologies was founded and dropped to 15% by 2011 (Accenture 2012).

Prisoners. Perhaps no other workforce is more marginalized than those in prison (see Chapter 8 for a case study on prison sourcing). Able-bodied and able-minded prisoners have always worked – at least in the United States – to defray the costs of "corrections" and to meaningfully occupy prisoners. Most prisoners, after all, will one day be released. Research in the United States found that prisoner work participation is associated with lower recidivism rates, higher rates of employment in halfway houses, and higher wages after release compared to prisoners who were not in these programs (e.g. Conan 2010; James 2007; Saylor and Gaes 1997, 2001). Most prison employment programs train workers in manual tasks, such as furniture building or textiles. But with the advent of the Internet, some prison employment programs now train prisoners to perform low-level BPO services like call center work. For example, the Federal Correctional Institution (FCI) in Elkton, Ohio has 450 computers in a center on the prison compound where trained prisoners provide business services to external customers. Another example is the all-female state prison at the Arizona State Prison Complex in Perryville, Arizona. This site serves as an example of a private sector partnership. Televerde, the private sector partner, operates four call centers at that location. Its external customers include Cisco, Hitachi, and SAP (Barret 2010).

Ultra-orthodox "haredi" Jewish women. Haredi is the Hebrew word for one "in awe of God." In religious taxonomies this group may be labeled as fundamentalist or ultra-orthodox. The communities are self-segregated, highly patriarchal, and have low household income since often both the husband and wife do not work. In Israel, these women represent about 5% of the potential labor pool. Israeli firms, like their American counterparts, had some sour experiences with offshoring. In response, Matrix Global, an Israeli IT services firm, looked inside the country and became the leader in sourcing labor from the inexpensive haredi population. The Israel-based haredi division was founded in 2004, with its main center housed in modern, well-equipped offices a one-half-hour drive from the center of Tel Aviv. The division has been quite successful – it grew quickly, reaching 600 women by 2010 and 850 women by 2012. In the hallways and cubicles of this firm one finds only women wearing religiously conservative attire of long skirts, long sleeves, and head coverings. As stated on the firm's website, "These highly educated, carefully selected, and meticulously trained women have very strict and specific social and community needs. By satisfying these needs and establishing the development centers in the midst of their religious community, Matrix Global has tapped into a high-quality workforce available in substantial numbers at competitive rates. The homogeneous religious environment of the development centers has enabled the formation of a pool of qualified technical personnel with a high degree of loyalty and professionalism."

2.4.3.2 The dependent variables for employees

The Monitor Group/Rockefeller Foundation report (2011), in all its careful detail, is also brief about the impact itself. It notes that an impact sourcing "...facility will create higher-income job opportunities for otherwise disadvantaged populations whether it is based in downtown Detroit, a slum area in Sao Paolo or a rural village in India" thus, it is higher incomes than would otherwise occur that happen. Later the report repeats this point: "Impact Sourcing employment provides measurable increases in income levels. Data suggests that Impact Sourcing employees benefit from income increases between 40 percent and 200 percent." In addition to the benefits of formal, stable employment, the report then adds one more important variable: "Our research suggests that IS employment also increases family investment in health care and education." Nevertheless, the international development literature is cautious about relying too heavily on income as an impact variable because this can hide persistent inequity, even after the end of an "intervention." We propose that there are many dependent variables that can measure the impact of impact sourcing on employees. These include: access to healthcare, access to education, work-life balance, self-esteem, self-image, self-efficacy, job satisfaction, and turnover intention.

2.4.3.3 Research questions for employees

Research questions include:

- How do marginalized employees become engaged in impact sourcing?
- How does employment impact employees' power and position with their families? Within their communities?
- How does their self-efficacy, self-esteem, and self-image change as a result of employment?
- How satisfied are they with their jobs? How does job satisfaction change over time? Are the determinants of job satisfaction the same for impact employees as non-impact employees?
- What are their turnover intentions? Are the determinants of turnover intentions the same for impact employees as non-impact employees?

2.4.4 Communities

The community population size and its type (Urban/Rural) is important to examine. Most impact sourcing is outside of the major cities, sometimes very far. Rural sourcing is a term popular in the United States, which we have not observed as a term in non-English-speaking nations. This approach offers clients a workforce in small towns in America's heartland. Clients want an alternative to expensive part-time contractors and the frustrating relationships with offshore providers. Rural sourcing in the United States has been primarily a location strategy. A formal definition is provided by Lacity, Rottman, and Khan (2010): rural sourcing is the practice of locating delivery centers in low-cost, non-urban areas.

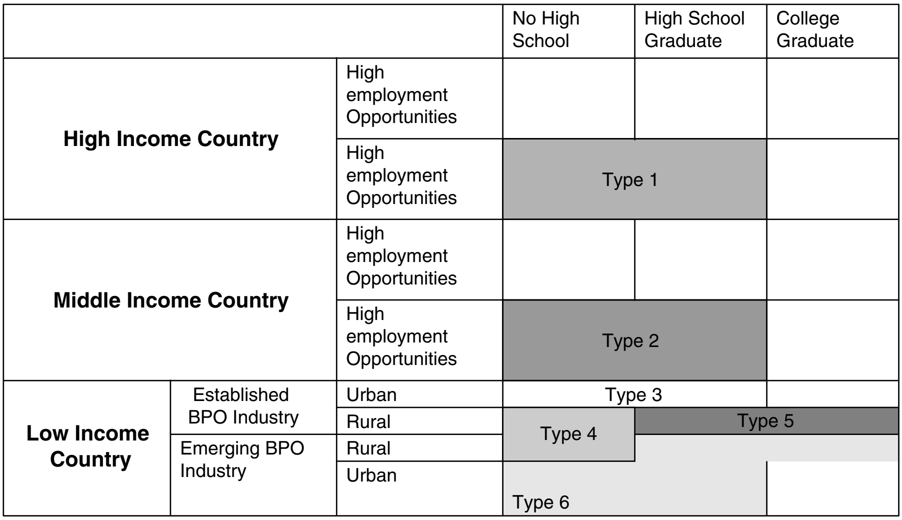


Figure 2.5 Impact sourcing segmentation
Source: Adapted from The Monitor Group/Rockefeller Foundation (2011).

Regarding the type of population we ask: What population demographics are being tapped? One variable is the education level. The Rockefeller Foundation later admits that the boundaries of impact sourcing are unspecified, and suggests that even employing college-educated people in rural areas counts as impact sourcing. They define six types of impact sourcing based on a country's income and on the education level of the target employees (see Figure 2.5).

2.4.4.1 Dependent Variables

From three international development organizations we surveyed in Section 3, as well as other sources, we list variables which are important:

- Increased purchasing power
- Healthier community members
- Increase in employment
- Number of local businesses that benefited as suppliers to the new impact sourcing entities
- New behaviors that emerged
- Influence on public policy

2.4.4.2 The research questions for communities

- In what way has the community improved its human capital and its financial capital?

- How has the culture of work changed in the community?
- How has the community become more pluralistic and tolerant?
- How have the firms and the newly empowered employees affected public/government institutions?

2.4.5 Global and government issues

Besides the effect of impact sourcing on the four primary stakeholders – impact sourcers, clients, employees, and communities – we submit that the research domain should include a number of global issues such as market size and public policy aspects of supporting impact sourcing.

2.4.5.1 Size of market

Size of market figures presumably capture the total revenue generated by all the providers operating within an industry. Across all sourcing markets, several key advisory organizations regularly size outsourcing markets. For ITO and BPO, Gartner is the most cited source for size of market figures and estimates of market growth. In 2013, Gartner estimates the global ITO and BPO market to be worth $531 billion and growing at 4.31% annually (see Figure 2.6). This annual growth rate is much lower than prior estimates for annual growth rates which have been over 10% annually for ITO and 25% for BPO (Couto 2012).

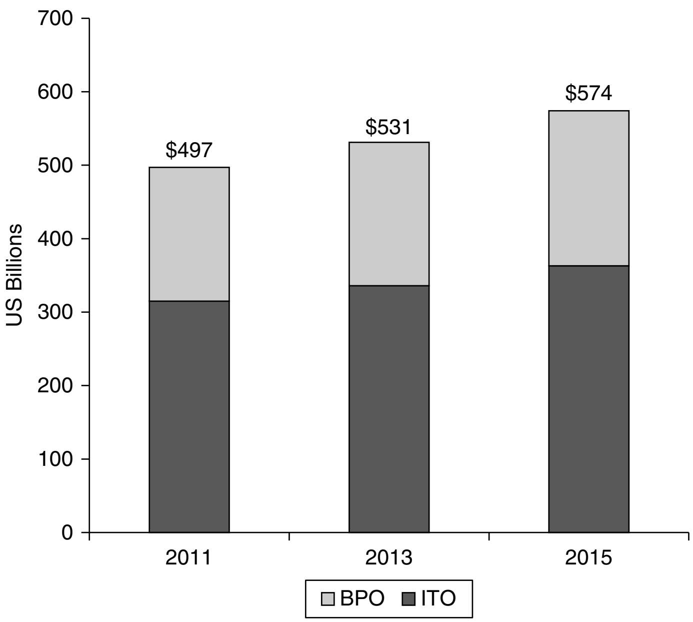


Figure 2.6 Size of global ITO and BPO markets
Source: Adapted from Accenture (2012).

<table>
<tr><td colspan="3"></td><td>No High School</td><td>High School Graduate</td><td>College Graduate</td></tr>
<tr><td colspan="2" rowspan="2">High Income Country</td><td>High employment Opportunities</td><td></td><td></td><td></td></tr>
<tr><td>High employment Opportunities</td><td colspan="2">Type 1 – 29%</td><td></td></tr>
<tr><td colspan="2" rowspan="2">Middle Income Country</td><td>High employment Opportunities</td><td></td><td></td><td></td></tr>
<tr><td>High employment Opportunities</td><td colspan="2">Type 2 – 21%</td><td></td></tr>
<tr><td rowspan="4">Low Income Country</td><td rowspan="2">Established BPO Industry</td><td>Urban</td><td colspan="2">Type 3 – 44%</td><td></td></tr>
<tr><td>Rural</td><td rowspan="2">Type 4.05%</td><td colspan="2">Type 5 – 6%</td></tr>
<tr><td rowspan="2">Emerging BPO Industry</td><td>Rural</td><td colspan="2"></td></tr>
<tr><td>Urban</td><td colspan="2">Type 6 1 %</td><td></td></tr>
</table>

Figure 2.7 Size of impact sourcing market by segment
Source: Adapted from The Monitor Group/Rockefeller Foundation (2011).

In the impact sourcing space, The Monitor Group/Rockefeller Foundation (2011) estimated the overall size of the impact sourcing market to be worth $4.5 billion in 2011. This figure represents about 4% of the overall $119 billion BPO market (according to this source). It projected that by 2015 the impact sourcing market would be worth $20 billion worldwide. The Monitor Group/Rockefeller Foundation (2011) also sized different parts of the global impact sourcing market based on their impact sourcing segmentation (see Figure 2.7). The largest segment, capturing 44% of the impact sourcing market, is urban locations within an established BPO industry within a low- to lower-middle income country.

In Avasant/Rockefeller Foundation (2012), in cooperation with Avasant, the market sizes for impact sourcing were adjusted even higher. “Avasant’s recent research and data collection indicate that the current size of the impact sourcing market appears to be substantially larger than earlier estimates” (Rockefeller Foundation 2012, p. 7). Impact sourcing, the publication claims, comprises 10% of the global BPO market and employs nearly 560,850 people worldwide.

2.4.5.2 Location attractiveness

From which locations would clients consider buying services from impact sourcers? Which locations are most attractive for impact sourcing? Accenture (2012) conducted a location analysis based on barriers to entry (from survey and interview data), five costs (labor, training, infrastructure, facility, and taxes), and a risk profile based on 14 secondary sources, including the networked

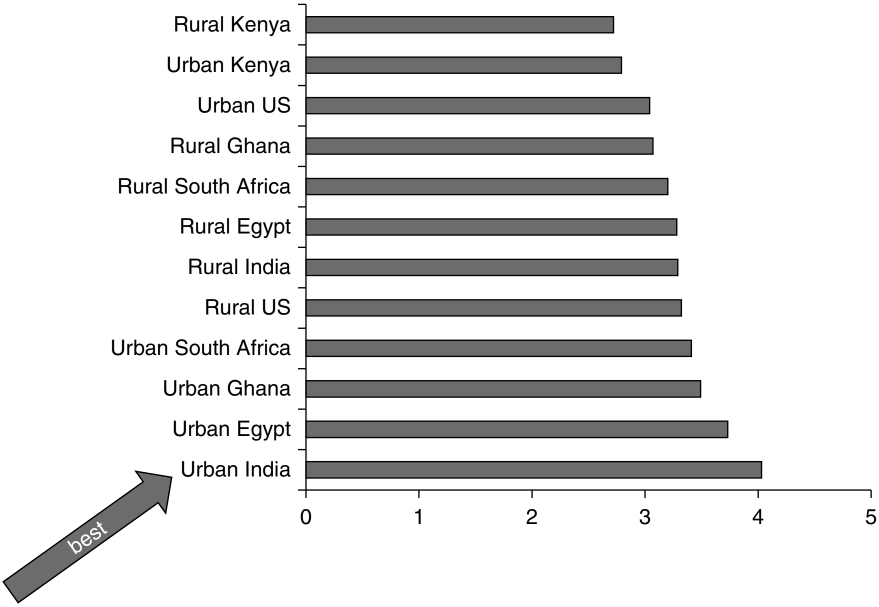


Figure 2.8 Location favorability for impact sourcing
Source: Adapted from Accenture (2012).

readiness index, ease of access index, index of economic freedom, human development index, ease of doing business rank, corruption perception index, gross domestic product, English language availability, higher education and training, government readiness index, as well as several others. Based on a weighted average of these inputs, Accenture ranked the location "favorability" for impact sourcing (see Figure 2.8). Urban India receives the highest rank, followed by urban Egypt, urban Ghana, urban South Africa, and rural United States.

2.4.5.3 Public policy

Governments also have a significant role to play through public policies that support impact sourcing. Public policies that support impact sourcing include financial grants for setup, tax incentives on earnings, tax incentives on procurement, hiring incentives and grants, training incentives and grants, subsidies on telecommunications and electricity, subsidies on land and buildings, developing the ICT infrastructure, government sourcing (awarding government contracts to impact sourcers) (Heeks and Arun 2010; Lacity et al. 2012; Rockefeller Foundation 2012).

Lacity et al. (2012) asked some economic development officials and CEOs of impact sourcers to discuss the types and effectiveness of public policies that aim to help impact sourcing. The providers we studied have different views on seeking city, state, and federal government support. On the one hand, a CEO told us, "I wasn't going to build a business by waiting around for a government check." On the other hand, several CEOs benefited from On the Job Training (OJT) funds, Community Development Block grants, and property tax waivers or abatements.

Avasant/Rockefeller Foundation (2012) surveyed 71 people with impact sourcing expertise from three categories:

(S) service providers (impact sourcers and large ITO or BPO providers),

(I) IPAs, trade bodies, and experts,

(G) government organizations.

The survey asked respondents to indicate the effectiveness of nine public policies intended to promote impact sourcing (see Figure 2.9). Clearly, stakeholders hold differing perceptions as to the effectiveness. Service providers don't rate any of these as "very effective" policies. IPAs, trade bodies, and experts

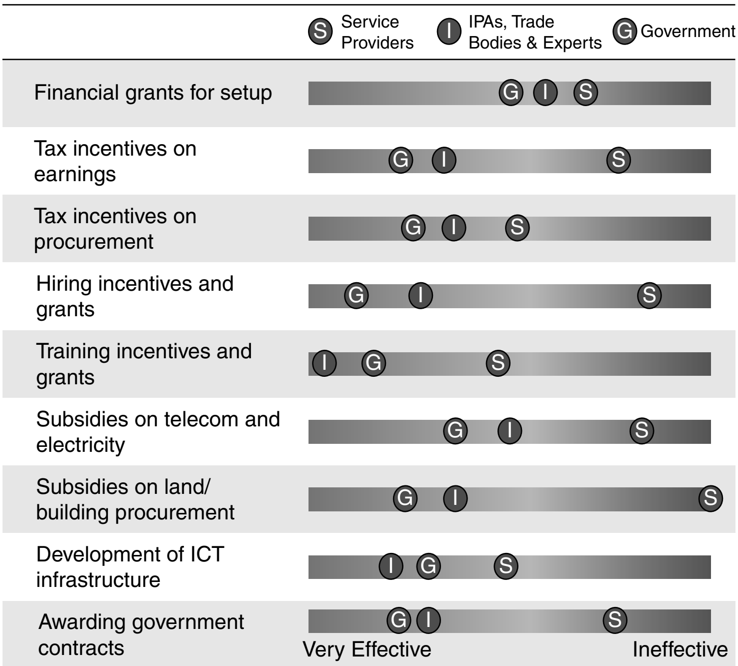


Figure 2.9 Effectiveness of government policies

Source: Avasant/Rockefeller Foundation 2012 reprinted with permission.

thought training incentives and grants, development of the ICT infrastructure, awarding government contracts, and hiring incentives and grants were very effective. Government respondents rated hiring incentives and grants and training incentives and grants as the most effective policies.

2.4.5.4 Research questions about global issues and public policy

We note that methods for sizing markets are not revealed by most advisors and we believe it is worthwhile for academic researchers to focus attention on the actual size of impact sourcing. Questions include:

- What is the size of the global impact sourcing market?
- What is the annual growth rate?
- Which locations comprise the largest share of the global impact sourcing market?

Location attractiveness is another import research area. Accenture (2012) did a commendable analysis, but this is only one study. Within the broader academic outsourcing community, theories and empirical work have examined location attractiveness for ITO and BPO sourcing services. Several studies, for example, are based on a location's business, financial, and human resource attractiveness as was discussed in Lacity and Willcocks (2013). Business attractiveness is the degree to which a location is attractive because of favorable business environmental factors such as economic stability, political stability, cultural compatibility, infrastructure quality, and security of intellectual property (IP) (e.g. Malos 2009; Doh et al. 2009). Financial attractiveness is the degree to which a location is attractive because of favorable financial factors such as labor costs, taxes, regulatory, and other costs (e.g. Malos 2009; Doh et al. 2009). Human resource attractiveness is the degree to which a location is attractive because of favorable people skills and availability factors such as size of labor pool, education, language skills, experience, and attrition rates (e.g. Malos 2009; Mehta et al. 2006). A location's attractiveness can change rapidly, as happened with the political upheavals in Egypt in 2011 which halted international investment in Egypt's ITO services export market. For this reason, continued research on location attractiveness is needed:

- Which locations need impact sourcing the most?
- Which locations are most attractive to clients?
- Which locations are most attractive to impact sourcers?
- How does location attractiveness change over time?

The survey results from Avasant/Rockefeller Foundation (2012) about perceptions of public policy effectiveness are fascinating because stakeholders held very different perceptions. Most interestingly, the service providers rated none of the nine public policies as very effective. In contrast, other stakeholders, most notably government respondents, rated these policies as effective to very effective. Clearly more research is needed:

- What is the effectiveness of various public policies on impact sourcers?
- What is the effectiveness of various public policies on marginalized individuals?
- What is the effectiveness of various public policies on communities?
- What is the effectiveness of various public policies on attracting clients?

2.5 Conclusion

We suggest that research on impact sourcing focus on the dimensions that make up the *impact* – the dependent variable. Impact sourcing is about making an impact and therefore it is critical that our research focus on its measurement. This chapter presented a framework comprising an ecosystem of impact sourcers, employees of impact sourcers, communities where employees reside, and clients of impact sourcing services. The framework also includes global issues, like location attractiveness, and public policy issues. Although more research is needed on all the key constructs identified in the framework, we particularly hope that this framework inspires researchers to study the impact of impact sourcing on the employees.

Notes

This chapter was previously published in *Information Systems Outsourcing: Towards Sustainable Business Value* (eds. Hirschheim, R., Heinzl, A., and Dibbern, J.), Heidelberg: Springer, 397–430. Reprinted with permission.

1. http://www.nasscomfoundation.org/
2. The numbers that are used for illustration are for Technoserve and are not about impact sourcing.
3. Best practices include contractual governance, relational governance, client capabilities, and provider capabilities (Lacity et al. 2011).
4. http://rtc.ruralinstitute.umt.edu/indian/nativeil.htm; http://en.wikipedia.org/wiki/Reservation_poverty

References

Accenture (2012). *Exploring the Value Proposition from Impact Sourcing: The Buyer's Perspective*. Available at http://www.accenture.com/us-en/Pages/insight-exploring-value-proposition-impact-sourcing.aspx

Ashoka (2013). *Ashoka: Innovators for the Public*. Retrieved from https://www.ashoka.org/

Avasant/Rockefeller Foundation (2012). *Incentives & Opportunities for Scaling the "Impact Sourcing" Sector, 2012*. Corporate report by Avasant consultancy. Retrieved from http://www.rockefellerfoundation.org/news/publications/incentives-opportunities-scaling

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

———, and Hefley, B. (2009). *Summary of Findings from the IAOP 2009 CRS Survey*, available at http://www.iaop.org/Content/23/126/1698/

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

——— and ——— (2011). "How Green is My Outsourcer?" *Strategic Outsourcing International Journal*, 4(1): 47–66.

——— and ——— (2012). *Sustainable Global Outsourcing: Achieving Social and Environmental Responsibility in Global IT and Business Process Outsourcing*, London: Palgrave.

Balit, S. (2004). "Food and Agriculture Organization in Communication for Isolated and Marginalized Groups: Blending the Old and the New." *Communication for Development Roundtable Report, 1*, Retrieved from http://www.fao.org/sd/dim_kn1/docs/kn1_040701a2_En.pdf

Chambers, R. (2008). *Revolutions in Development Inquiry*. (1st ed., vol. 1). London: Earthscan.

Conan, N. (2010). "Inmates' Jobs, From Call Centers to Paint Mixing." *Talk of the Nation*, National Public Radio, broadcast, December 16.

Cuoto, V., and Ashok, D. (2006). "How to be an outsourcing virtuoso." *Strategy Business* (44). Retrieved from http://www.strategy-business.com/media/file/sb44_06304.pdf

Doh, J., Bunyaratavej, K., and Hahn, E. (2009). "Separable But Not Equal: The Location Determinants of Discrete Services Offshoring Activities." *Journal of International Business Studies*, 40: 926–943.

Doong, S. H. and Ho Shu-Chun. (2012). "The impact of ICT development on the global digital 915 divide." *Electronic Commercial Application*, 11(5).

Elkington, J. (1995). Speaker at Sustain Ability conference, of which Elkington is cofounder: http://www.johnelkington.com/activities/speeches_archive.asp

——— (1997). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business,* Oxford: Capstone Publishing.

Gino, F., and Staats, B. (2012). "The Microwork Solution." *Harvard Business Review*, 90(12): 92–96.

Gorry, A., and Scott Morton, M. (1971). "A Framework for Management Information Systems." *Sloan Management Review*, 13(1): 55–70.

Heeks, R. (2012a). The Research Agenda for IT Impact Sourcing. *ICTs for Development*. Web paper 2012a. Retrieved from http://ict4dblog.wordpress.com/2012/05/06/the-research-agenda-for-it-impact-sourcing/

——— (2012b). *A Model for Assessing IT Impact Sourcing Relationships*; Web paper retrieved from http://ict4dblog.wordpress.com/tag/socially-responsible-outsourcing/2012b.

———, and Arun, S. (2010). "Social Outsourcing as a Development Tool: The Impact of Outsourcing IT Services to Women's Social Enterprises in Kerala." *Journal of International Development,* 22(4): 441–454.

———, Gao, P., & Ospina, A. (2010). "Delivering coherent ICT policies in developing countries." *eDevelopment Briefing Papers*, 14: 1–4. Retrieved from http://www.sed.manchester.ac.uk/idpm/research/publications/wp/di/short/CDIBriefing14PolicyCoherence.pdf

Hefley, B. (2009). "Social Responsibility in Sourcing: The State of CSR in Sourcing." Presentation for Global Sourcing Council Summit, New York, June 3, 2009.
IAOP (2009). :"Summary of Findings from the IAOP 2009 CSR Survey." IAOP Research White Paper http://www.iaop.org/Content/23/126/1698/
International Fund for Agricultural Development (2002). *Managing for Impact in Rural Development: A Guide for Project M and E*, Rome: IFAD. Retrieved from http://blog.apastyle.org/apastyle/2011/07/how-to-cite-the-dsm-in-apa-style.html#gsc.tab=0
Ives, B., Hamilton, S., and Davis, G. (1980). "A Framework for Research in Computer-based Management Information Systems." *Management Science*, 26(9): 910–934.
James, N. (2007). *Federal Prison Industries*. Congressional Research Service, Cornell University ILR School, available at http://digitalcommons.ilr.cornell.edu/key_workplace/309.
Kaganer, E., Carmel, E., Hirschheim, R., and Olsen, T. (2013). "Managing the Human Cloud." *MIT Sloan Management Review*, 54(2): 23–32.
Lacity, M. (1990). *The Role of Frameworks in Information Systems Research*, Ph.D. Seminar final paper, The University of Houston.
———, Carmel, E., and Rottman, J. (2011). "Rural Outsourcing: Delivering ITO and BPO Services from Remote Domestic Locations." *IEEE Computer*, 44: 55–62.
———, Khan, S., Yan, A., and Willcocks, L. (2010). "A Review of the IT Outsourcing Empirical Literature and Future Research Directions." *Journal of Information Technology,* 25(4): 395–433.
———, Rottman, J., and Carmel, E. (2012). *Emerging ITO and BPO Markets: Rural Sourcing and Impact Sourcing,* IEEE Readynotes, IEEE Computer Society.
———, Rottman, J., and Khan, S. (2010). "Field of Dreams: Building IT Capabilities in Rural America." *Strategic Outsourcing: An International Journal,* 3(3): 169–191.
——— and Willcocks, L. (2013). "Sourcing of Information Technology Services." In H. Topi (ed.), *The Computing Handbook Set*, Information Systems and Information Technology (vol. 2), Boca Raton, FL: Chapman and Hall/CRC Press, Article 60.
Leviner, N., Crutchfield, L. R., and Wells, D. (2007). "Understanding the Impact of Social Entrepreneurs: Ashoka's Answer to the Challenge of Measuring Effectiveness." *Research on Social Entrepreneurship: Understanding and Contributing to An Emerging Field,* 1(3): 89–104, retrieved from https://www.ashoka.org/resource/4784
Lorenzetti, J. P. (2002),. "Qualitative benefits." *Government Technology,* 1–2. July 3. Retrieved from http://www.govtech.com/e-government/Qualitative-Benefits.html
Malos, S. (2009). "Regulatory Effects and Strategic Global Staffing Profiles: Beyond Cost Concerns in Evaluating Offshore Location Attractiveness." *Employee Responsibilities and Rights Journal*, 22: 113–131.
Mason, R., and Mitroff, I. (1973). "A Program for Research on Management Information Systems." *Management Science*, 19(5): 475–487.
Mehta, A., Armenakis, A., Mehta, N., and Irani, F. (2006). "Challenges and Opportunities of Business Process Outsourcing." *Journal of Labor Research*, 27(3): 323–337.
Park, K., & Hollinshead, G. (2011). "Logics and Limits in Ethical Outsourcing and Offshoring in 974 the Global Financial Services Industry." *Competition and Change*, 15(3),177–195.
Porter, M. E. (2008). "The Five Competitive Forces That Shape Strategy." *Harvard Business Review*, 86: 79–93.
——— and Kramer, M. R. (2006). "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility." *Harvard Business Review*, 84: 78–92.

——— & ——— (2011). "Creating Shared Value." *Harvard Business Review,* Jan/Feb 2011, 89(1/2): 62–77.

Prahalad, C. K. (2004). *The Fortune at the Bottom of the Pyramid*, Upper Saddle River, NJ: Wharton School Publishing.

Pratt, M. (2008). "Ethical Outsourcing." *Computerworld*, 42(17): 32–33.

Project Management for Development Professionals (2012). *PMD Pro Guide* (1st ed.). Retrieved from http://www.pm4ngos.net/index.php?option=com_phocadownload&view=category&id=1&Itemid=10

Ramus, T., and Vaccaro, A. (2012). "Blurring the Boundaries between For Profit and Non-profit Organizations: The Social Enterprises." *IESE Insight* (BEN-132-E), retrieved from http://www.ieseinsight.com/fichaMaterial.aspx?pk=89153&idi=2&origen=3&ar=17

Root Capital (2013). *Root Capital*, retrieved from www.rootcapital.org

Rootchange.org, 2013

Savitz, A., and Weber, K. (2006). *The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success,* San Francisco: JossyBass.

Saylor, W., and Gaes, G. (2001). "The Differential Effect of Industries and Vocational Training on Post Release Outcomes for Ethnic and Racial Groups." *Corrections Management Quarterly*, 5(4): 17–24.

Stern, E., Stame, N., Mayne, J., Forss, K., Davies, R., and Befani, B. (2012). "Broadening the Range of Designs and Methods for Impact Evaluations: Report of a Study Commissioned by the Department for International Development." *Department for International Development*, (38): 1–127, retrieved from https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67427/design-method-impact-eval.pdf

TechnoServe (2013). *Technoserve*, retrieved from www.technoserve.org

The Monitor Group/Rockefeller Foundation (2011). "Job Creation through Building the Field of Impact Sourcing." *Corporate Report by Monitor Consultancy*, retrieved from http://www.deloitte.com/view/en_US/us/Services/consulting/Strategy-Operations/strategy-consulting/index.htm

The World Bank (2011). *Pro-poor Growth*, retrieved from http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPGI/0,,contentMDK:20292383~menuPK:524081~pagePK:148956~piPK:216618~theSitePK:342771,00.html United Nations Development Program (2008). In A. Reynolds (2008, September), *Promoting Inclusive Parliaments: The Representation of Minorities and Indigenous Peoples in Parliament*, United Nations Development Program Advisory Committee First advisory meeting on inclusive parliaments, retrieved from http://www.ipu.org/dem-e/minorities/faq.pd

Viviers, S., and Eccles, N. (2012). "35 Years of Socially Responsible Investing (SRI) Research: General Trends Over Time." *South African Journal of Business Management*, 43(4): 1–16.

3
Exploring the "Impact" in Impact Sourcing Ventures: A Sociology of Space Perspective

M. S. Sandeep and M. N. Ravishankar

3.1 Introduction

Impact sourcing (ImS) is the practice of bringing digitally enabled outsourcing jobs to marginalized individuals. The idea that ImS can play a role in providing sustainable livelihoods to marginalized individuals in the global south is steadily gaining credence among academics and practitioners. The claims of ImS ventures of positively impacting lives of marginalized individuals through employment have been supported by recent empirical inquiries (e.g., Heeks and Arun 2010; Madon and Sharanappa 2013; Malik, Nicholson, and Morgan 2013; Lacity, Rottman, and Carmel, 2014). Researchers have so far adopted Amartya Sen's "capabilities approach" (Madon and Sharanappa 2013; Malik et al. 2013) and the "sustainable livelihoods framework" method (Heeks and Arun 2010) to understand the impact of ImS on individuals and communities.

In this chapter we seek to further explore the nature of "impact" by exploring the *lived experience* of the "beneficiaries" of ImS ventures, that is, the ImS employees. Here, impact is conceptualized as the behavioral and attitudinal changes that ImS employees experience while working in ImS ventures. The paper argues that the creation of a new space, that is, the ImS workplace in the community, creates an environment ripe for new experiences and learning. The presumption here is that the dialectical tensions experienced by ImS employees, who are part of the ImS space and the community space, introduces them to challenges in both spaces, and in confronting those challenges, they "experience" impact. In other words, individuals are coerced to develop new practices and capabilities to confront the challenges posed by new social and cultural settings. The resulting social and psychological changes, the paper suggests, has the potential to transform and impact the individual.

In the broader literature on IT and Business Process Outsourcing (IT-BPO) and call-center literature, there are some studies that explore the relationship between space and individuals. For instance, Barnes (2007) explored the negative impact space can have by exploring the relationship between employees and the built environment in a call center in Australia. She suggests that physical spaces can engender individual and collective resistance and can be a point of employee dissatisfaction. In another study of hot-desking policies of an organization, Hirst (2011) notes how different people adopted different strategies to thrive in their environment. For instance, individuals who got along tended to occupy workstations close to one another. In these examples, individuals and groups responded to and were impacted by externally imposed spatial conditions. In ImS ventures too, external forces are at play. New recruits who are from predominantly patriarchal, orthodox communities are thrown into a relatively more urbane, glamorous world of IT-BPO. The social and cultural demands of the new space (i.e., the ImS workplace) are very different from what they are used to (in the community space). To unravel how individuals experience and navigate spaces, and develop strategies to overcome challenges in ImS ventures, we draw on sociology of space literature. More specifically, we borrow ideas from Georg Simmel's essay titled *The Sociology of Space* (translated and edited version: Frisby and Featherstone, 1997). To understand the social and psychological changes of individuals, we examine what he terms "sociation", that is, the interaction between individuals through social encounters. Specifically, using the fundamental qualities of spatial forms as outlined by Simmel, we examine how spaces and places influence the process of sociation and impact the individual. Through an understanding of sociation it is possible to analyze how interactions mediated through spaces shape attitudes and behaviors of individuals. This paper draws on aforementioned *sociology of space* literatures and analyzes data collected through an in-depth interpretive qualitative case study of ImpactCo, an ImS venture based in India.

3.2 Spaces and places

Sociology of space is a branch of sociology that broadly concerns itself with understanding the "social and material constitution of space." *Space* here, for example, can refer to either the "physical space" or land, building and so on and the "social space," or space for social relations and interactions. However, in extant literature, the distinctions are not so straightforward. A number of eminent classical sociologists (see Urry [2004] for a brief review), human geographers (Lobao 1996) as well as contemporary sociologists (Giddens 1990; Lefebvre 1974; Gieryn 2000; Bourdieu 1996) have tried to outline a sociology of space and place. These scholars, concerned with examining the spatial dimension of societies, have theorized space and place in contrasting manners (D'Mello and Sahay 2007). However, in these theorizations, the analytical boundaries between space and place overlap. For example, Bourdieu (1996) classifies space as physical and social space. He refers to physical space as reified social space, illustrating the difference with the example of neighborhoods and communities, both of which are social formations that come into being as a result of prolonged social interaction. Similarly, scholars in the human geography discipline refer to place as a "particularistic dimension" of space and social space as having a "relational dimension" (Lobao 1996). Gieryn (2000), outlining a "sociology of place," on the other hand, offers a clearer distinction between space and place. He contends that place has a geographic location, material form, and assigned meaning and value. On the other hand he identifies space as a set of "abstract geometries detached from material form and cultural interpretation" (p. 465). D'Mello and Sahay (2007) and Sahay, Nicholson, and Krishna (2003) too make similar distinctions. However, on the other hand, Lefebvre (1974) contends that space is not passive geometry and that "space is produced and reproduced and represents sites of struggle" (Urry 2004: 11).

From this very brief review we get a sense that there may be an issue of semantics, or of course the meaning of space and place as interpreted by scholars may be evolving (see D'Mello and Sahay 2007). Consequently, a number of ontological questions arise: Are spaces and places different? Do spaces constitute places? Are they a continuum? When do spaces become places and vice-versa? For the purpose of this chapter, Simmel's treatment of space and place has been adopted. He suggests that space is an "ineffectual form" brought to life by the "filling of space" through social interactions (Frisby and Featherstone, 1997). Simmel's "space" seems conceptually similar to what Bourdieu (1996) refers to as "social space." Further, the qualities of social space, that is, having meaning and value, are relational, and have a geographic location, all seem very similar to scholars who theorize "place." In this chapter we therefore use the terms space, social space and place interchangeably.

Simmel, in his essay "The Sociology of Space" (Frisby and Featherstone 1997) explores the spatial dimension of society. He suggests that social interactions have a spatial form and these interactions turn space into something meaningful. Simmel's epistemology suggests that space does not wholly determine social interactions and neither does it imply that the construction of space is purely a social constructionist process (Lechner 1991; Frisby and Featherstone 1997). Space therefore retains a character of its own, but at the same time influences how social groups experience and produce their own space (Gieryn 2000). Simmel outlines several fundamental qualities of spatial form upon which the structuring of communal life relies. The first of these qualities is what he terms the *exclusivity of space*, or the exclusivity with which social groups treat space. He suggests that spatial forms may vary in the extent to which their existence depends upon exclusive occupation of space. For example, no two nation-states can occupy the same space; they require exclusive occupation of space. The second fundamental quality of space which Simmel examines is the *boundaries* created by space. Boundaries, Simmel suggests, are a sociological fact with spatial consequences and not the other way around (Frisby and Featherstone 1997: 143). That means, while geographical boundaries may exist, it is the psychological forces of the individuals within the space that determine its boundary. Boundaries may therefore get stretched beyond their geographical confines (Massey 1998. The third aspect of space that affects social formations is what Simmel refers to as the ability of space to *fix* their contents. Again here, the extent to which the objects, groups, and individuals of the social formation require fixity affects Simmel suggests that space has the capacity to provide stability to social interactions especially through the objects that occupy and remain fixed in space. For instance, places of worship such as a church, a temple, a mosque, or a synagogue, which are spatially immovable, serve as pivot points in space around which social interactions take shape, eventually providing stability to a social group. The last aspect of space that we will discuss is the sensory proximity which space affords to social interactions. Social formations, depending on their configuration, may require its contents, that is, social groups and other associated objects, to be either within or in close proximity. This proximity has further consequences for the unity of the social group and its formation. As Simmel notes, conversational proximity creates a much more individual relationship as opposed to only visual proximity. Overall, Simmel's analysis is useful to understand how social interactions are structured through space.

3.3 Impact sourcing, spaces, and places

The practice of hiring and training marginalized individuals to provide digitally enabled services is a relatively new phenomenon in IT-BPO. There is a growing call for research to explore and understand this nascent phenomenon (Carmel, Lacity and Doty 2013; Heeks 2013). One important area for research is developing an understanding of the nature of "impact" of ImS ventures as the phenomenon is popularized around the idea that it has the potential to create *positive* impact. In line with this call, a small but growing number of studies have analyzed how ImS employees and the larger community are impacted by ImS activity. For example, Heeks and Arun (2010) analyzed a government-driven ImS model that aimed to improve livelihood opportunities of marginalized groups in the state of Kerala, India. More recently, studies have noted how employment in ImS ventures has resulted in positive impacts such as improved cognitive abilities, development of self-esteem and confidence, and improved capabilities (Madon and Sharanappa 2013; Malik, Nicholson, and Morgan

2013). The aforementioned studies focused on ImS ventures based in rural India. Lacity, Rottman, and Carmel (2014) studied an ImS model at work in a penitentiary system in the United States. Here the beneficiaries were prison inmates trained and employed to work on IT-enabled projects. This study too reports increased self-efficacy and self-esteem among the workers.

Although extant literature in ImS does not specifically examine how space and place impacts ImS employees, there are some studies in the broader IT-BPO literature that have used space and place as lenses to explore the phenomenon. Sahay, Nicholson, and Krishna's (2003) analysis of the Globtel-MCI case revealed a dialectical tension between space and place. The case illustrates Globtel's treatment of software development as situated in a global space coming into tension with the viewpoints of individuals who strive to retain the localness in their workplace. In another study, D'Mello and Sahay (2007) employ the place lens to understand mobilities of individuals working in global software organizations and their interaction with place and space. Similar to Sahay, Nicholson, and Krishna (2003), D'Mello and Sahay (2007) suggest that despite the globalized nature of work, individuals constantly strive to remain rooted in a place they identify with.

Indeed, as Gieryn (2000) notes, place affects individuals and social groups in important ways. Place "stabilizes and gives durability to social and structural categories, differences and hierarchies; arranges patterns of face-to-face interactions that constitute network formation and collective-action; embodies and secures otherwise intangible cultural norms, identities and memories" (p. 473). In this chapter it is argued that social space or place can influence the process of sociation among individuals through which they experience social and psychological changes. Here, ImS ventures can be viewed as producers of *physical space* which acts as a space of change in predominantly traditional communities. The hitherto nonexistent physical spaces, to use Oldenburg's (1989) idea, serve as a hybrid of the "second" (place of work) and "third" (place of play) space. The newly created space, we argue, opens up marginalized individuals to new experiences, exploration, and learning. Individuals occupying these physical spaces engender new "social spaces" (Bourdieu 1990) driven by their "new" habitus (created by the ImS venture). Here, empowerment of marginalized individuals can be viewed as resulting from the set of capabilities or strategies they develop to negotiate the tensions posed by the conflict between the "old" (traditional, orthodox) and the new (liberal, egalitarian) habitus.

3.4 Research methods

For an in-depth understanding of the lived experience of the employees of ImpactCo, we adopted an interpretive case-study approach (Walsham 1995). Researchers adopting the case-study approach spend considerable time in the field interacting with their informants via semi-structured and open-ended interviews, and being observers of organizational life as participants or non-participants (Yin 1994).

3.4.1 Research site

ImpactCo, an ImS venture, is a for-profit social enterprise based in the lower Himalayan regions of North India. The venture was founded in 2009 by two Indian entrepreneurs with considerable IT-BPO experience at top management level. ImpactCo was started with the intention of providing employment opportunities to marginalized youth in the rural Himalayan region. ImpactCo hires and trains individuals from local villages in IT and managerial skills. After completing an initial training period, the recruits are deployed to work on projects sourced from domestic and international clients.

ImpactCo opened its first center in the year 2009 employing close to 50 individuals from the local and nearby villages. As of 2014, ImpactCo has established six centers employing close to 400 individuals. The centers are located in different villages, all within a radius of 50 kilometers. On average there are about 300 households in each village. In this paper the six villages are collectively referred to as "the community." The major source of livelihood for the people in the community is agriculture and horticulture. During our fieldwork, we observed that the community members functioned strictly in line with their traditions, and were fairly orthodox in their worldviews.

3.4.2 Data sources

Our research is primarily informed by empirical material collected over a six-month fieldwork (from March 2013 to August 2013) of ImpactCo. We collected data through open-ended interviews and non-participant observations. Table 3.1 below gives an overview of our informants. Overall, we interacted with 25 employees of ImpactCo across their five centers. We also had conversations with members of the community during our fieldwork.

The first author conducted unstructured and open-ended interviews with ImpactCo employees and community members. The interviews lasted anywhere from 15 minutes to more than two hours. Interviews with ImpactCo employees and community members were conducted in Hindi and sometimes in English. These interviews were recorded, transcribed, and translated (when

Table 3.1 Overview of informants

	Center 1	Center 2	Center 3	Center 4	Center 5	Total
Male	2	2	3	1	0	8
Female	3	5	7	2	1	17
Total	5	7	10	3	1	25

needed). Detailed notes about conversations with informants were made at the end of each day of fieldwork.

3.4.3 Data analysis

We conducted data analysis over several stages. In the first stage a database was built comprised of empirical material relating to the beneficiaries' experience of working in ImpactCo. In the second stage a detailed analysis of this database was conducted to broadly understand (1) how social space influenced social interactions and (2) how beneficiaries constructed social space. In the third stage, thematic data analysis techniques (Miles and Huberman 1994) were used to identify initial codes drawing on Simmel's categorization of fundamental qualities of spatial forms. The fourth stage involved examining the codes to look for patterns and identify themes. Overall, four different themes and a few sub-themes were identified and grouped together. They were: (1) beneficiaries' perception of the exclusivity with which the community and ImpactCo viewed their space; (2) how beneficiaries managed boundaries created by space; (3) how beneficiaries navigated the challenges of working in a new environment; and, finally, (4) how beneficiaries experienced their new-found independence at ImpactCo workplace. We revisited our empirical material and traveled back and forth iteratively from the data to the literature on sociology of spaces until there was a reasonable fit between data and theory and no further iterations seemed valuable.

3.5 Analysis

In this section we present our interpretation of the lived experience of our informants. Drawing on Simmel's work, we discuss the everyday struggles of ImpactCo employees as they navigate the old (the community) and the new (ImpactCo) space.

3.5.1 Us and them: exclusive spaces

We understood through our informants that patriarchy and orthodoxy held sway in the community where ImpactCo had its operations. For the youth of the community, obeying their elders was of paramount importance, and their freedoms were largely regulated by their parents. There were restrictions around how men and women (especially those who were not known to one another) interacted in public life and there were consequences for transgressors. Community members upheld and followed inherited traditional values, beliefs, and customs. The norms and values guiding organizational life at ImpactCo was in stark contrast to that of the community. ImpactCo espoused liberal principles and ideas such as gender equality and freedom of speech. The ImpactCo space was therefore viewed by the community members as something foreign and alien – essentially the polar opposite to the culture of the community. The two mutually exclusive spaces had several implications for the employees of ImpactCo.

As the informants of the study noted, they had a feeling that they were being constantly watched over by other members of the community for any "deviant" behavior. Again, while working within the confines of ImpactCo they were mindful of how they fit in with the culture of the organization. ImpactCo employees therefore confronted challenges as they navigated between their work and non-work contexts. In the sections that follow, we elaborate on the challenges faced by ImpactCo employees and the strategies they devised to prevail over their predicament.

3.5.2 Managing across cultures: boundaries created by space

The notion of exclusive space also implies the presence of boundaries. These boundaries however are not just physical ones. In fact, as Simmel suggests, boundaries are sociological facts with spatial consequences (Frisby and Featherstone 1997: 143). Therefore while physical boundaries may exist, it is the psychological nature of boundaries that more acutely define social interactions. Here, boundaries serve the dual function of closing space off against the surrounding world and holding the space together, meaning boundaries have the capacity to hold and unite social groups and at the same time differentiate from other social groups or formations. Since the community space and ImpactCo space were in stark contrast, the personal mobility across cultures and spaces posed challenges for employees who occupied both these spaces.

> Even when I'm out in the community, I am still regarded as an employee of ImpactCo.... I carry this identity around with me ... *log boltey hai ... yeh to ImpactCo ki bandi hai* (people talk among themselves that she belongs to ImpactCo). (ImpactCo informant 4)

Employees who crossed over from the community space to ImpactCo space faced the challenge of managing different social and cultural expectations. There were mainly two boundaries that employees managed: (1) the ImpactCo–community boundary and (2) the ImpactCo–home boundary. Broadly, there were two strategies that employees adopted to manage these boundaries.

In the first instance, individuals adopted what we call a chameleon strategy, meaning they embraced the new culture espoused within the ImpactCo space while at work, however, when they were in the community space, they embraced the dominant values prescribed by the community.

> When I am in the office I am like how everyone else is ... but when I am in the community I am how I am expected to be ... *pahaad ke hisaab se rahna chahiye*

> (should live according to the customs of the hills; as opposed to the "plains"; in this context the plains refer to the cities). (ImpactCo informant)

In the second instance, individuals carried the new culture espoused within the ImpactCo space back to the community and their homes.

> In the beginning I used to get asked many questions.... Why are you hanging out with those boys? Why do you laugh and talk so loudly while in the open? But over time, I introduced my new friends to my parents. I also made it a point to bring my parents to the workplace so that they get familiar with where I work and who I interact with. . . ." (ImpactCo informant)

These two strategies of managing the boundaries can be broadly identified with the process of *acculturation* of individuals. Acculturation is "a dynamic and multidimensional process of adaptation that occurs when distinct cultures come into sustained contact." The first strategy can be viewed as an *integration* strategy. Integration is defined by Berry (2003) as "when a person shows an interest in maintaining the original culture and in learning and participating in the other culture(s)." Employees did show keen interest to learn about the new culture and imbibe new cultural practices; however, at the same time they were eager to maintain and "perform" their older culture in the community. Similarly, the second strategy that employees adopted can be viewed as an *assimilation* strategy. Assimilation is when an individual wishes to diminish or decrease the significance of the culture of origin and desires to identify and interact primarily with the other culture. Here, employees were eager to maintain their newly acquired cultural tools even in the community space.

In the process of managing these boundaries, employees learned to cope with different cultural expectations imposed by different spaces. In the next two sections we discuss how the ImpactCo space shaped social interactions among the employees.

3.5.3 New threats, new technology and practices: space creating proximity

Another characteristic of space is its ability to provide sensory proximity among people who occupy the same space. Furthermore, each social form has its own requirement of proximity. Meaning, some social forms may require individuals to be in close proximity, while others can do with individuals being dispersed. In the ImpactCo space, there was an obvious need for people to congregate in a single space and spend a lot of time working together and socializing because of the nature of the work and workplace. The degree of contact and the amount of time people spent talking to one another was also high because of how work was structured: teams of people working on the same task. This characteristic of the ImpactCo space had some implications.

3.5.3.1 Space and threats

Most individuals employed by ImpactCo were fresh out of high school or college with little or no experience of working in a professional environment. Additionally, working in ImpactCo was an altogether different cultural experience. Rarely had men and women shared the same space and interacted with people whom they were not familiar with or not related to. A female employee of ImpactCo recounted her first week in the office:

> During the first day of our orientation all the boys ran to one section of the class and us girls ran to the other ... there was so much hesitation to talk, to make eye contact ... we were so not used to it. ... I was especially not so used to being around so many boys I did not know. (ImpactCo informant)

It was not just working with the "other" gender that made people uncomfortable. The fact that they were in an environment where professionalism was expected and an unfamiliar workplace full of IT artefacts flustered many.

> I was very afraid initially, *darte hue hi kaam kar raha tha* (I lived and worked with fear). ... I was not at all familiar with working in an office like this. ... I was a salesman in a *Kashmiri* handicrafts shop earlier. (ImpactCo informant)
>
> I finished school and I was all ready to get married. But the marriage got canceled so I wanted to work. To be honest, I was so frightened, I came from another village and I did not know anyone here. I wasn't sure if I would be able to do all the processes ... this was completely new to me. (ImpactCo informant)

Being in an unfamiliar environment, working and socializing with the other gender, was turning out to be an overwhelming experience for most of our informants. Over time they found a way to deal with their unsettling environment.

> I thrive in an environment where I know other people around me ... where I do not feel fear ... but these were people I did not know and I had never been in this situation earlier. I slowly opened myself up to others. ... I found it difficult initially because I've never been an outgoing person. ... (ImpactCo informant)
>
> Earlier I never used to interact with men. But here we have a chance to understand one another as men and women. (ImpactCo informant)

During our fieldwork the social bonds among the employees were conspicuously high. Recounting how she felt when she had to move from one ImpactCo center to another, an employee noted:

> We are like a family here. When I was moved from one center to another, I cried so much! I did not even cry that much when I left home the first time. My colleagues are more than just my colleagues ... they are my family, my brothers and sisters. They give me confidence and encourage me to do better. (ImpactCo informant)

Employees developed deep social bonds to the extent that they considered other members of their team and group as one of their own family members. These bonds went beyond the realm of what is typically branded as "collegiality" in a workplace. This type of social formation closely relates to the idea of a fictive kinship or pseudo-families (Carsten 1995). These are strong social bonds not based on blood but contextual factors. Here the basis for the existence of a fictive kinship was to help one another thrive in an unfamiliar environment.

3.5.3.2 Space, new technology, and practices

The proximity afforded by the ImpactCo space had some "enabling" implications. Most employees were technology illiterates. Very few had any experience of working word processors, spreadsheets, and attending to basic administrative tasks using a personal computer. In addition, very few had any professional experience and were not familiar with the typical practices followed in an organization. Recalling his initial week at the induction, an ImpactCo informant noted:

> They sat us down in front of systems. Each one of us was given a task to complete. We had to type in a paragraph of text into Microsoft Word and save the document using a filename of our choice. I typed in "*Kuch*" (which literally translates to "something") ... pressed some button and I lost sight of the document. I panicked and tried various things but the document refused to reappear. When my instructor noticed my panic he asked me what had happened. I said I lost "something"! I couldn't even articulate what exactly I had lost. (ImpactCo informant)

Not only was working with new technology intimidating new entrants also had to quickly learn the norms and values espoused by ImpactCo and act their part to show that they belonged to the group. Learning technical skills as well as the more symbolic elements of conducting oneself in the workplace setting was turning out to be overwhelming.

> I was not used to shaking hands with men, let alone giving them a hug! I found it all very strange. I felt like I had entered a new world altogether. All of us in the new batch used to wonder "*kaise baatey kar rahe hain*" (look at how they are talking and behaving!). (ImpactCo informant)

There was a pressure to fit into this newfound culture – new vocabulary to pick up, new mannerisms to learn. Coming from a distant reality, the scenarios they were encountering at work were proving to be a cultural shock. Our informants recognized that they had to very quickly pick up cues and broaden their "cultural toolkits."

> During the first two weeks of induction I observed a lot ... how people spoke, how they interacted with their Team Leads and also during our morning huddles – how people discussed issues. Also how they greeted one another, hugged and shook hands. Then I tried to copy them as much as I could! [ImpactCo informant]

> I am a TL now ... all thanks to Rahul sir, he helped me a lot and I learnt a lot from him. I used to see how he handled team meetings and problems with staff. I still have a long way to go. ... I look up to him for guidance and inspiration. (ImpactCo informant)

Employees mimicked practices of other more experienced employees. In this way they were ensuring compliance with ImpactCo's cultural norms. Essentially our informants were creating what is referred to in the literature as "provisional selves" (Ibarra 1999). This strategy allowed individuals to try different self-presentations, mimicking norms and behavior which they believed were crucial in their workplace.

3.5.4 Stability, individuality, and dignity: space and its capacity of "fixing"

Prior to ImpactCo, the youth of the community, especially for the men and women, did not have a legitimate space to interact and socialize. Most gatherings were around the time of festivals and predominantly with kith and kin. Mingling of a man and a woman not known to each other was widely a social taboo with the intentions of the interactions being watched and scrutinized by community elders.

> Going out was not allowed – not even to my relatives' place ... my parents used to be apprehensive. Forget meeting strangers! (ImpactCo informant)

ImpactCo created a hitherto nonexistent "stable" space where the youth of the community could meet and socialize.

> Earlier we never had opportunities to meet new people and learn new things. Yes, there were fairs in villages and in towns ... but that was only once a year ... and during festivals too we got to meet ... there was no other place. ... (ImpactCo informant)

Space, as Simmel suggests, has this quality of "fixing" contents. Consequently, social interactions, which revolve around these contents, also become "fixed." By becoming the focal point of interaction, ImpactCo space localized and crystalized the community life of ImpactCo employees. The immovable nature of the contents, that is, the workplaces of ImpactCo, provided stability to these social interactions.

ImpactCo thus served as a pivotal point for social interactions and engendered a sense of community. More importantly, this also awakened a sense of belonging among its employees.

> When I wear the ID tag around my neck I feel proud that I am part of ImpactCo ... that I am part of something big. ... I am blessed to be associated with this organization. (ImpactCo informant)

Alongside instilling belonging, ImpactCo space also gave its employees a sense of individuality and dignity.

> I eagerly look forward to coming here every day. I feel that I am somebody here. Back at home, as a girl, I do not have much freedom to express myself ... and the whole day goes away doing odd tasks. ... This is a place where I can try to be myself. (ImpactCo informant)

The layout of the work center was typical of any urban BPO center. Each employee was assigned a particular personal computer on which they had to work. Employees adorned their personal space on their desks with images of their favorite god or other memorabilia. Motivational posters that they had designed during their induction adorned the walls. There was a communal space within their work center where they hung out during tea breaks to engage in banter.

> It's a different feeling, having your own system and your chair. We cannot afford these at home. ... It's a place I can call my own. ... (ImpactCo informant)

3.6 Discussion

Overall, the analysis revealed that individuals experienced social and psychological changes while navigating the complexities posed by a) the conflict between the community and the ImpactCo space and b) the new social and cultural environment of ImpactCo space. Evidently the mutually exclusive nature of ImpactCo space and the community space created an environment ripe for new learning and experiences for ImpactCo employees. The spatial divisions between the two spaces further coerced ImpactCo employees to manage social and cultural boundaries.

3.6.1 Theoretical implications

The chapter answers to recent calls for research on the ImS phenomenon (Carmel, Lacity, and Doty 2013; Madon and Sharanappa 2013; Malik, Nicholson, and Morgan 2013). Specifically, the chapter contributes to the emerging discourse on the impact of ImS ventures. It explores the lived experience of ImS employees and tries to understand how they navigate the challenges brought about by the new ImS workplace. The key contribution of the chapter is its exploration of how ImS employees manage their transition into ImS workplaces from their traditional communities. The study identified acculturation strategies of *assimilation* and *integration* used by ImS employees to manage boundaries between work and non-work spaces. ImS employees also developed strategies such as *forming fictive kinships* and *experimenting with provisional selves* to cope with challenges arising within the ImS workplace. More broadly, the study highlighted the transformative role of ImS workplaces. The study also implicitly demonstrates the multifaceted nature of "impact." Based on our findings we would argue that there are broadly two kinds of impacts: *intended* and *experienced* impacts. Here, *intended* impact refers to the organizational efforts of the ImS venture to fulfill their organizational mission which is invariably to provide sustainable livelihood opportunities to marginalized communities. In this chapter we have tried to understand and explore the latter type of impact, that is, *experienced* impact, from the point of view of ImS employees. Here the development of various strategies to navigate the complex social and cultural challenges can be viewed as impacting the personal development of ImS employees.

3.6.2 Practical implications

Primarily our chapter highlights the need for ImS ventures to be cognizant of the complex nature of impact. A number of ImS ventures are being funded by so-called "social venture" capital funds. Invariably such funds also come with the requirement that organizations measure and document their "social impact" and further rounds of funding may be contingent upon organizations demonstrating that they have created an impact. However, most organizations rarely go beyond documenting "economic impact." Of course, there can be a number of reasons behind this. Organizations may not have the budget and resources to evaluate and monitor the impact they are creating. Regardless, it may be of immense benefit to the organizations to understand how their employees learn to work in a new environment. This kind of understanding may serve an important practical purpose. Organizations can devise mechanisms to formalize and incorporate some of these learning methods to benefit more employees.

3.6.3 Limitations, future research, and conclusions

Our study is not without its limitations. This study is based on a single case and therefore can be generalized only to other cases in similar contexts. The learning and coping strategies that we elicited were embedded in a particular context and the strategies of ImS employees may vary with the context. We encourage other researchers to study how ImS employees cope with the challenges of new space in different contexts. We would also encourage researchers to study coping strategies of other populations of marginalized individuals that ImS ventures are impacting, such as persons with disabilities, low income urban youth, and so on.

As the ImS model grows in popularity, scholars have begun to study different aspects of the model. The study adds to this growing stream of literature on ImS models. Specifically it explores the lived experience of marginalized individuals employed in an ImS venture and examines their everyday challenges of coping with living and working in two distinct spaces. The findings of the study have implications for ImS companies and other organizations working with marginalized individuals. As ImS companies grow and expand in the global south, the study encourages practitioners and academics to understand how marginalized individuals are experiencing and managing dialectical tensions.

References

Accenture (2012). *Exploring the Value Proposition for Impact Sourcing: A Buyer's Perspective*, available at: http://www.accenture.com/SiteCollectionDocuments /PDF/Accenture-Exploring-Value-Proposition-Impact-Sourcing.pdf, (Accessed September 14, 2014.)

Barnes, A. (2007). "The Construction of Control: The Physical Environment and the Development of Resistance and Accommodation within Call Centres." *New Technology, Work and Employment*, 22(3): 246–259.

Berry, J. W. (2003). "Conceptual Approaches to Acculturation." In K. M. Chun, P. Balls Organista, and G. Marín (eds.), *Acculturation: Advances in Theory, Measurement, and Applied Research*. Washington, DC: American Psychological Association, pp. 17–37.

Bourdieu, P. (1990). *In Other Words: Essays towards a Reflexive Sociology*. Stanford, CA: Stanford University Press.

Bourdieu, P. (1996). "Vilhelm Aubert Memorial Lecture: Physical Space, Social Space and Habitus." Available at: http://archives.library.illinois.edu/erec/University%20 Archives/2401001/Production_website/pages/StewardingExcellence/Physical%20 Space,%20Social%20Space%20and%20Habitus.pdf (Accessed January 10, 2015.)

Carmel, E., Lacity, M., and Doty, A. (2013). "The Impact of Impact Sourcing: Framing a Research Agenda." 4th International Conference on the Outsourcing of Information Services, Mannheim, Germany.

Carsten, J. (1995). "The Substance of Kinship and the Heat of the Hearth: Feeding, Personhood, and Relatedness among Malays in Pulau Langkawi." *American Ethnologist*, 22(2): 223–241.

D'Mello, M. and Sahay, S. (2007) "'I Am Kind of a Nomad Where I Have to Go Places and Places' ... Understanding Mobility, Place and Identity in Global Software Work from India." *Information & Organization*, 17(3): 162–192.

Frisby, D. and Featherstone, M. (1997). *Simmel on Culture*. London: Sage.

Giddens, A. (1990). *The Consequences of Modernity*. Cambridge: Polity Press.

Gieryn, T. F. (2000). "A Space for Place in Sociology." *Annual Review of Sociology*, 26: 463–496.

Heeks, R. (2013). "Information Technology Impact Sourcing" *Communications of the ACM*, 56(12): 22–25.

Heeks, R., and Arun, S. (2010). "Social Outsourcing as a Development Tool: The Impact of Outsourcing IT Services to Women's Social Enterprises in Kerala." *Journal of International Development*, 22(4): 441–454.

Hirst, A. (2011). "Settlers, Vagrants and Mutual Indifference: Unintended Consequences of Hot-Desking." *Journal of Organizational Change Management*, 24(6): 767–788.

Ibarra, H. (1999). "Provisional Selves: Experimenting with Image and Identity in Professional Adaptation." *Administrative Science Quarterly*, 44(4): 764–791.

Klein, H. K., and Myers, M. D. (1999). "A Set of Principles for Conducting and Evaluating Interpretive Field Studies in Information Systems." *MIS Quarterly, Special Issue on Intensive Research,* 23(1): 67–93.

Lacity, M., Rottman, J. W., and Carmel, E. (2014). "Impact Sourcing: Employing Prison Inmates to Perform Digitally Enabled Business Services." *Communications of the Association for Information Systems*, 34(51): 913–932.

Lacity, M.C., Rottman, J. and Khan, S. (2010). "Field of Dreams: Building IT Capabilities in Rural America." *Strategic Outsourcing: An International Journal*, 3(3): 169–191.

Lechner, F. J. (1991). "Simmel on Social Space." *Theory, Culture and Society*, 8(3): 195–201.

Lefebvre, H. (1974). *The Production of Space*. Translated from the French by D. N. Smith. Oxford: Blackwell.

Lobao, L. (1996). "A Sociology of the Periphery Versus a Peripheral Sociology: Rural Sociology and the Dimension of Space." *Rural Sociology*, 61(1): 77–102.

Madon, S., and Sharanappa, S. (2013). "Social IT Sourcing and Development: Theorizing the Linkage." *Information Systems Journal*, 23(5): 381–399.

Malik, F., Nicholson, B., and Morgan, S. (2013). "Assessing the Social Development Potential of Impact Sourcing." *Proceedings of the 6th Annual Conference SIG GlobDev,* Milan.

Massey, D. (1998). *Space, Place and Gender.* Cambridge: Polity Press.

Miles, M. B. (1994). *Qualitative Data Analysis: An Expanded Sourcebook*. Thousand Oaks, CA: Sage.

Miles, MB., and Huberman, AM. (1994). *Qualitative Data Analysis (2nd edition).* Thousand Oaks, CA: Sage Publications.

Oldenburg, R. (1989). *The Great Good Place: Cafes, Coffee Shops, Community Centers, Beauty Parlors, General Stores, Bars, Hangouts, and How They Get You Through the Day.* New York: Paragon House.

Rockefeller (2013). *Digital Jobs: Defined*. Available at: http://www.rockefellerfoundation.org/our-work/current-work/digital-jobs-africa/digital-jobs-defined (Accessed November 1, 2013.)

Sahay, S., Nicholson, B., and Krishna, S. (2003). *Global IT Outsourcing: Software Development across Borders*. Cambridge: Cambridge University Press.

Sandeep, M. S., and Ravishankar, M. N. (2013). "The Other India." *Professional Outsourcing*, 13: 14–20.

Sandeep, M.S., Ravishankar, M.N. and Hislop, D. (2013). "The Establishment of Social IT Sourcing Organizations: An Impression Management Perspective." *Proceedings of the International Conference on Information Systems*. Milan.

Urry, J. (2004). "The Sociology of Space and Place." In Blau, J. R. (ed), *The Blackwell Companion to Sociology*. Oxford: Blackwell, 3–15.

Walsham, G. (1995). "The Emergence of Interpretivism in IS Research." *Information Systems Research*, 6(4): 376–394.

Yin, R. K. (1994). *Case Study Research: Design and Methods*. Thousand Oaks, CA: Sage.

4
The Rural BPO Sector in India: Encouraging Inclusive Growth through Entrepreneurship

Shirin Madon and C. Ranjini

4.1 Introduction

Rapid growth rates in India and other Asian countries have led to a significant reduction in the incidence of poverty but has also led to rising inequalities across sub-national locations, particularly across rural and urban sectors, and between skilled and unskilled workers (Ali 2007). A factor that has contributed to this trend is IT outsourcing activity in which a small segment of the population has benefited from an extraordinary boom while large segments of the population are stuck with low wages, little or no social services, and remote opportunity for improved mobility. In recent years new IT sourcing models have emerged as rising costs in urban centers have forced many large business process outsourcing (BPO) companies to outsource low value-added tasks to employees in rural areas with the role of government limited to that of a catalyst and facilitator. This new rural BPO activity is mainly driven by traditional players in the outsourcing market using revenue-based business models to reduce labor costs.

An alternative model of IT outsourcing rapidly emerging as a distinct subsector of the BPO industry known as impact sourcing aims to provide high-quality, information-based services to domestic and international clients by employing IT-related workers from poor and vulnerable communities in the developing world (Heeks 2013). Impact sourcing service providers mediate between clients and employees in order to balance the dual objective of providing low-cost sources of IT labor for clients as well as promoting local economic development. Recent reports estimate the impact sourcing market to be worth approximately $4.5 billion with 144,000 people employed across Africa, Asia, and Latin America (Kennedy et al. 2013). However, while impact sourcing has brought a range of benefits to employees in terms of income, skills, empowerment, social status, and local networks (Heeks and Arun 2010; Madon and Sharanappa 2013), little is understood about the wider policy environment that supports this activity and its consequences on local economic development.[1]

The scope of this paper is to obtain a greater understanding of the linkage between impact sourcing activity and local economic development focusing on the state of Karnataka in South India. India has been identified as a leading player in the impact sourcing market with the presence of more than 30 impact sourcing providers in the country. At the same time there exists a great variation in the geographical distribution across states, with a lot of activity in middle-income states like Karnataka due to the relatively easy access to power, telecommunications, transport, and state government policy support (NASSCOM 2014). Karnataka is one of the few states in India to have launched its rural BPO policy in 2009 to create employment opportunities in non-metro locations with approximately 35 rural BPOs currently operating in the state. Drawing on the concept of inclusive growth,[2] we explore the extent to which entrepreneurship can raise productivity in peripheral localities from a study of three rural BPOs in Karnataka. Of particular interest to us is to trace the evolution of rural BPO policy in Karnataka identifying specific challenges that have faced policymakers and to assess the long-term developmental opportunities emerging within the local community where impact sourcing activity has taken place.

4.2 Theorizing inclusive growth and entrepreneurship

Inclusive growth is increasingly used as a meta concept of economic development following a rising concern that the benefits of spectacular growth in many developing countries have not been equitably shared (Ali 2007). A case in point is Asia where economic growth has been rapid in recent years. For example, the East Asia region has grown at 8.1% per year on average, driven mainly by the People's Republic of China, while South Asia has grown at 4.5% per year spurred on by the recent acceleration of growth in India, Sri Lanka, and Bhutan (Zhuang and Ali 2011).

However, while rapid growth in Asia has led to a dramatic reduction in the level of extreme poverty (Ravallion 2009), an emerging issue is of rising inequality in the region. There are increasing concerns that the benefits of spectacular growth have not been equitably shared as large sections of the population continue to live just above the poverty line and are vulnerable during periods of economic recession. A growing number of countries in Asia are beginning to adopt inclusive growth policies according to which all members of society should be allowed to participate in and contribute to the growth process (Iamchovichina and Lundstrom 2009). Advocates of inclusive growth policies consider equal access to growth opportunities as an intrinsic human right and of instrumental value as efficient utilization of human and physical resources and subsequent investment in income-augmenting activities are assumed to increase overall growth (Ali 2007). Indeed, experience over the past decade in Asia, for example in China, Taiwan, South Korea, and Thailand, shows how it has been possible to combine economic growth and industrialization with decreased inequality (State Council of China 2006; UNDP 2007; *The Economist* 2011). India too adopted a development strategy based on the twin objectives of raising economic growth and greater inclusion during its 11th Five-Year Plan from 2007–2012 (Planning Commission of India 2006).

Market-based approaches have been identified as significant for inclusive growth policies. In particular, evidence has shown how intervention from the private sector for employment generation and income diversification has been a critical enabler of poverty alleviation. For example, the private sector has played a role in promoting microfinance activity as the driver of growth and poverty reduction by forging partnerships among domestic and international financial sector stakeholders (Imboden 2005). Similarly, the private sector is an important stakeholder in designing and operating inclusive innovation as it can undertake riskier initiatives that are economically beneficial to all sectors of society (Dutz 2007). The government too has a central role to play in developing and maintaining an enabling environment for business investment and private entrepreneurship (McMullen 2011; Zhuang and Ali 2011). Selected policy issues of great relevance for inclusive growth also include ensuring equal access to basic social services such as health and education, social protection, land reform, and enabling access to credit (Tandon and Sparkes 2011).

Entrepreneurship is identified as essential for achieving inclusive growth ideals through the creation of new organizations which raise regional productivity and competitiveness, build new networks and assets (Schumpeter 1934, Acs et al. 2008; Naude 2010). Considerable attention has been placed on the promotion of this activity in order to revitalize rural regions in developing countries (Briedenhann and Wickens 2004). Much literature on entrepreneurship in developing countries has focused on the emergence of "necessity entrepreneurs," for example micro-entrepreneurs who start up businesses in order to mitigate against unemployment or other economic shocks (Vossenberg 2013). Less attention has been devoted to understanding the specific contextual conditions within which "opportunity-based entrepreneurs" choose to start a new business (Lingelback et al. 2005). Exploration of the role played by entrepreneurs in developing countries has been confined to a limited number of successful regions where high productivity, innovative sectors have emerged with the aim of identifying factors that have led to success such as technological infrastructure, skilled workers, and finance capital (Malecki 1997). For example, the Global Entrepreneurship Monitor project offers the first broad cross-country comparisons of the levels and drivers of entrepreneurship such as incentives, financial capital, and human resources (Lingelback et al. 2005).

A second stream of literature, less prominent in the literature specifically focuses on exploring the extent to which entrepreneurship can raise productivity in peripheral sectors or localities. While peripheral regions are often viewed as a challenging space for the entrepreneur because of lack of resources, they are characterized by strong structures that can be mobilized as social capital for supporting business activities. According to this perspective, tradition and underdevelopment, the very characteristics that made the region peripheral in the first place, are found to actually help anchor entrepreneurship activity within the local economy (Anderson 2000; Benneworth 2004; Fuduric 2008). The basic argument from this strand of literature is that the periphery can be conceived as a place of entrepreneurial potential in which territorial assets can be mobilized as regional drivers which can help to overcome the constraints of limited resources. For example, Anderson (2000) demonstrates how entrepreneurs have transformed what was recognized as peripheral weakness in terms of industrial development in the Scottish Highlands into value-added activity, for example in terms of improving the quality of life of those involved in entrepreneurial activity. An important aspect of this line of inquiry, as identified by Benneworth (2004) in his study of entrepreneurship in the Northeast of England, relates to institutional support provided by universities, private sector firms, and government for mobilizing territorial assets. As Boettke and Coyne (2003) argue, development does not occur as a result of entrepreneurship per se but by the adoption of certain institutions which in turn channel and encourage the entrepreneurial aspect of human activity in a direction that spurs economic growth.

In the context of developing countries, however, there is a paucity of studies about entrepreneurship in peripheral regions to which this chapter is dedicated (Sharma et al. 2013).

Our review of literature on inclusive growth and entrepreneurship provides a framework for exploring rural BPO activity in developing countries. While the study of entrepreneurship in peripheral areas has largely been devoted to locations in advanced industrialized countries, in this chapter we attempt to extend this discourse to peripheral regions in the developing world. Our key objective is to improve understanding of rural BPO activity in Karnataka as a mechanism for promoting entrepreneurship and inclusive growth.

4.3 Methodology

Our study is informed by a qualitative case study approach based on an interpretive philosophical position acknowledged to be an appropriate strategy for the early stages of research on a topic. Our aim is to build rather than test theory in order to strengthen our understanding of rural BPO activity as a catalyst for local economic development (Eisenhardt 1989; Myers 2009).

Primary and secondary data were used for this study. Fieldwork was carried out in Karnataka from March to August 2014 using semi-structured interviews with policymakers, rural BPO managers who had established centers and employees. A list of interviewees is provided in Table 4.1.

Table 4.1 Fieldwork details

Date	Fieldwork details
7/25/14	Interview with Co-Founder and Director of RuralShores
7/28/14	Interview with Secretary, IT, Biotechnology, Science and Technology, Government of Karnataka
7/28/14	Interview with Director, IT and Biotechnology and Managing Director KBITS, Government of Karnataka
7/29/14	Interview with Managing Director, Simply Grameen, and visit to Maddur center
7/31/14	Interview with Marketing Manager, Rural Shores and visit to Madanahalli center

Interviews with policymakers were intended to provide information and understanding regarding the initial and revised rural BPO policy as part of the state's overall inclusive growth strategy. Interviews with the individual rural BPOs were aimed at improving understanding of the client base and project activities, recruitment strategy, training, and outreach. Discussions also took place with employees in order to understand their motivation and experience of working for the rural BPO. Secondary data consisted of government policy documentation and academic reports. We studied three rural BPOs in Karnataka which have been established for at least three years. The largest of these, RuralShores, is considered a pioneer in the Indian rural BPO space and has a significant influence on policy. The second, Simply Grameen, is a smaller rural BPO with two centers currently operating in Karnataka. The third is an initiative of Samarathan, an NGO dedicated to serving disabled persons that at the time of this research had established one rural BPO center in Karnataka.

The data were analyzed using ground-theorizing techniques (Glaser and Strauss 1967). The raw data was first written up as cases which were analyzed to determine categories and general patterns of activities.

4.4 Rural BPO policy and implementation: the Karnataka experience

Karnataka has emerged during the last decade as a front-runner in the IT/BPO/ITES sector with Bangalore as the acknowledged leader in the global IT space. In 2000, the state government established the Karnataka Biotechnology and Information Technology Services (KBITS) as its main implementing agency for the rural BPO sector and eight years later launched its rural BPO strategy to generate employment and encourage entrepreneurship. The initial strategy was to provide a subsidy of Rs. 40 lakhs (approx. £404) to companies for the setting up of 100-seater BPO units which would employ rural unemployed youth that had attained a minimum of school leaving certificate. Numerous challenges were faced by policymakers in the initial policy. First, out of the 31 companies that applied for the grant only 13 of the bigger players were eventually short-listed. When inspections of rural BPOs were carried out at the time of releasing grant instalments, many of the smaller players were found to have closed down, having absconded with government funds despite legal notices being issued. Second, many of the smaller rural BPOs were identified as having inadequate infrastructure, lack of electricity, a shortage of trainers, and a lack of networks through which to obtain clients resulting in an inability to handle larger projects (Tara 2011).

A revised rural BPO policy is currently being drafted with the aim of supporting the growth of rural BPOs in the early stages of growth. Entrepreneurs can apply to enter the market with a minimum of 30 and a maximum of 100 employees for a subsidy of Rs. 20 lakhs (approx. £202) for a period of three years. Aimed at supporting operational, training, and capital costs, the subsidy is tagged to the number of employees hired measured in terms of Provident Fund filings made by the rural BPO. The revised policy also includes incentives for NGOs and social enterprises to establish rural BPOs and sets a mandatory reservation of 20% of government contracts to be reserved for rural BPOs.

RuralShores

RuralShores commenced operations as a for-profit social enterprise in 2008 and currently operates 20 centers across ten states employing 2,500 rural youth and has received several national and internationally acclaimed awards for its outreach efforts. Centers are typically established in small towns or large villages and employees are recruited from the nearby cluster of villages within a 10-kilometer radius. The work carried out at these centers is of low to medium complexity involving rule-based transaction processing, local language, and dialect voice support (Mukherji and Pinto 2012). Of the three RuralShores centers located in Karnataka, we visited Muddenahalli, located approximately 35 kilometers from Bangalore, which currently has a three-year contract to work as a data processing center for US mortgages. The center has invested in a dedicated line for power with UPS backup and is supported by reliable Internet connectivity and good transport links to enable employees to travel to and from nearby villages to Muddenahalli. A single shift operates at the center from 8:30 a.m. to 5:30 p.m. which employs 63 youth (mainly female) with 12th-grade standard education. Recruiting employees at Muddenahalli or its other centers was seldom reported to be a challenge for RuralShores as word soon spread throughout the local community through the mediation of the local panchayat, schools, and colleges about new openings resulting in a steady stream of people enquiring for jobs. RuralShores' leadership teams also held meetings with village elders and parents of potential employees to dispel any apprehensions they had about safety, particularly for women. Employee attrition, often identified as a problem in urban BPOs, was not identified as an issue at Muddenahalli despite proximity of the center to Bangalore. Moreover, compared to urban BPOs, its employees were more committed to their jobs and loyal to the company. Employees we spoke to prefer to work at the center rather than in an urban BPO as they are able to provide better support to family members, for example by combining working at the center with helping family members on the farm. As a result of having a full-time job, unlike seasonal agricultural income, RuralShores associates are able to easily obtain personal loans from banks rather than from local moneylenders. All employees are provided with medical insurance up to a certain amount.

The typical duration of training before a new rural BPO recruit was able to work on projects was about four months, compared to about two months in an urban BPO. This involves a one-month basic introduction to IT followed by modules on mortgage basics and on specific processes such as orders. By the end of the training, employees gained confidence with computers and in basic English comprehension. Training in soft skills was also considered important, for example in terms of personal grooming, behavior at work, and planning for leave of absence if a marriage takes place within the village or if families of employees required help in the field during harvesting season. After successful completion of training, most new recruits were employed straight-away at RuralShores as associates who over time were able to graduate to become process champions and eventually team leaders.

To secure a regular stream of clients, RuralShores offers customers the same kind of service-level agreements as expected from urban BPOs, particularly in terms of standards of security, confidentiality, responsiveness, and quality. At any one time, each of its centers would handle several clients and processes. For example, the Muddenahalli center currently handles three clients and five processes which means that service-level agreements are consistently exceeded by the associates leading to increased transaction volumes and hence growth. Every RuralShores center has a strong in-house ISO 27001 compliant information security policy with biometric access control and closed-circuit televisions. The only leeway that RuralShores requests from its clients is a longer gestation period as its employees need more time for handholding and training. Some RuralShores centers act as intermediary for Indian and multinational enterprises in their quest to tap rural markets providing complementary services in local Kannada language to a variety of organizations and drawing on their local network for outreach. For example, agricultural companies that intended to sell seeds, fertilizers, and pesticides to farmers needed market intelligence to understand which products to sell and to identify distribution partners to produce local knowledge and sell products as well as operate a help desk in local language for the farmer-clients of the company.

Every year RuralShores measures the impact its activities have on local economic development by administering a computer survey to employees. A social impact study was carried out in March 2013 covering 11 centers and 650 associate-level employee respondents in order to identify improvements in living conditions since gaining employment in RuralShores. First, working at RuralShores has enabled families to consume three square meals a day. Second, employees have gained tremendous respect in society, in particular girls reporting that they feel increasingly empowered. Third, while annual household income before joining RuralShores was Rs. 50,000 (approx. £505) and unpredictable, this has increased to a steady income of double this amount. While earlier the families of employees had no bank accounts, there has been an average increase in family savings accounts with the extra income enabling families to convert from thatched to tiled houses, to substitute motorbikes for bicycles, and to purchase items such as refrigerators and better clothes. Fourth, on commencing work at RuralShores, many employees have expressed a desire to study further.

In terms of broader community-wide benefits, RuralShores promotes a novel concept of "employee social responsibility" under which employees choose the causes as required by the surrounding villages and support them on a weekly basis on Saturday afternoons. For example, employees from Muddenahalli recently came together to provide a free health camp in collaboration with a local NGO where blood donations were taken and where environmental awareness was provided, for example promoting tree plantation, rainwater harvesting, and waste management. At other centers, social responsibility activities among employees have included teaching school children.

Simply Grameen

This rural BPO has been operational since 2011 and currently operates two centers in rural Karnataka employing a total of 250 people with a third center planned for international rural BPO activities. We visited the Maddur center which employs around 160 agents and offers a dedicated specialized team to perform non-voice high-end processing for the National Stock Exchange on behalf of mutual fund houses such as ICICI. Scanned forms from mutual fund centers land in the Maddur rural BPO with the volume of applications increasing incrementally throughout the day, totaling to around 4,000–6,000 in a 24-hour period. The center is responsible for verifying applications which involves ensuring all information and supporting documentation is in order and ensuring that different levels of quality checks have been carried out. To avoid costs of applying for certification from industry, Simply Grameen follows ISO27001 as guided by the client who carries out a quarterly review of the ISMS processes. The server is housed on-site to ensure that nobody can tamper with the data and that employees are trained not to disclose confidential client information with household members or friends. The center has reliable Internet connectivity and has invested in a large generator in order to mitigate against the problem of power cuts which can last six to seven hours. Employees travel to work from up to 20 kilometer from the center and special transportation has to be arranged if they are required to work after 7 p.m. as there are no buses or streetlights after this time.

Approximately 26% of the new recruits belong to the BPL category with minimum 50% employment of females educated up to 12th standard. They receive one month's training which includes life skills on how to behave with the customer and in grooming for work, learning to type and read English, theory and practical classes on specific concepts such as what is meant by mutual fund, as well as on-the-job training for building confidence to handle transactions. A 10% error rate is acceptable and leads to a certificate given to the rural BPO by the client. For the center as a whole, it took approximately 18 months of operating experience to bring the error rate down from 20% to a rate of 0.3% level which was acceptable to the client. The team is divided into five groups, each having a leader who is proficient in English and is responsible for monitoring quality and productivity. Team leaders, who earn approximately Rs. 9000 (approx. £91) per month, have the important responsibility of coordinating work processes and ensuring quality. Every few hours, team leaders prepare a report in real time that documents job availability, productivity, and attendance plus a daily error analysis report in response to the client's scrutiny of work processes. A daily list of clarifications required from the client ensures that any ambiguities are addressed. Staff work in nine-hour shifts and are entitled to one day off per week and 21 days' national holiday as negotiated with the client. In addition to all statutory compliance benefits, Simply Grameen provides Group Personal Accident Insurance coverage of Rs. 1 lakh (approx. £1,010) for all staff to support their family in case of unforeseen events. This scheme also supports free salary if staff meet with an accident and are unable to attend duty. When there is pressure, the client gives incentives for employees to sign up for night-shift work with extra pay. Approximately 15–20 of the employees work part-time and there is also a split-shift option which supports female employees to work in the morning, go home to cook, and come back to work later in the day. At the Maddur center, employees form various committees to prevent sexual harassment and to enforce safety and hygiene in the workplace.

Discussions with agents and team leaders helped us to understand life at Simply Grameen from an employee perspective. All of the employees we spoke to were natives of Maddur or from surrounding villages and came from families where the main occupation was farming or small trading. While team leaders were normally qualified to degree level prior to recruitment and had gained at least two years' experience working as an agent at Simply

Grameen, many of the agents were simultaneously pursuing further studies by correspondence course. The rural BPO has a policy to grant extended leave or provide permission to leave early for educational purposes or for non-educational events such as attending a marriage or looking after ailing dependents.

For some agents, the rural BPO was their first employment. This was particularly the case for women. A female team leader commented that since Simply Grameen established its center in Maddur, girls have the possibility of employment as their work is local. Some agents and most of the team leaders had prior experience of working either in Bangalore or other districts in Karnataka before joining Simply Grameen. Although many employees, particularly those who were qualified and had experience, had been presented with other employment options, they found that working at the rural BPO was an interesting challenge as it was the first IT company established in Maddur with opportunities for career progression. They also commented that it was a harsh existence working for an urban BPO both in terms of the high cost of living in cities such as Bangalore and because they lacked a social support network. On the contrary, as the cost of living in Maddur is low, a salary of Rs 8,000–10,000 was adequate. Moreover, there was unanimous agreement from all employees we spoke to about the attraction of working in Maddur mainly because they could be nearby to support their parents and grandparents both financially and emotionally during periods of ill health. As an example of an empowered family, the daughter of one of the housekeeping staff at Simply Grameen in Maddur was recruited as an associate. The girl's father was a drunkard and did not support the family. After working with Simply Grameen for some time, the mother quit her job as the daughter supported her to start a tailoring job from home. The daughter got married using her accumulated salary over a period without any dependence on the family.

In terms of local economic development, Simply Grameen has provided an injection of income into the local economy that serves approximately 20,000 people by promoting ancillary businesses in an area that is predominantly agricultural and marked with social problems such as drinking habits of men. For example, Simply Grameen's presence in Maddur has resulted in many small-time vendors flourishing. Linkages have also been established with local colleges for placement/part-time/internships with discussions underway to introduce BPO curriculum into universities in order to build better skills based on local job requirements. Simply Grameen is also connected with a couple of local NGOs and training institutes for building a talent base.

This rural BPO is currently in discussions with the management about introducing various loans (educational, vehicle, personal) to support staff needs. However, as reported to us by the Managing Director of Simply Grameen, this impact could be augmented if policy was directed towards giving more support to rural BPOs in certain areas such as issuing tax holidays, cheaper land, electricity subsidies, and providing training stipend.

Samarthanam Kirana

Samarthanam Trust for the Disabled, an NGO, has been working since 1997 to provide education, accommodation, food, vocational training, and placement-based rehabilitation to visually impaired, disabled, and underprivileged people in India. More recently, the Trust has established BPO training centers across Karnataka to impart computer and soft-skills training enabling this category of the population to be included in the mainstream IT job market. In 2011, Samarthanam Trust launched a rural BPO enterprise called Kirana in Bidadi, 35 kilometers from Bangalore, to provide employment to rural unskilled youth, particularly to those with disabilities. The center is supported by KBITS, Hewlett Packard, and TE Connectivity and offers services such as customer support, technical support, telemarketing, IT helpdesk, insurance processing, data entry/data processing, and data conversion.

This 5000-square-foot center that can accommodate 100-plus call center professionals and be expanded through multiple shifts currently has 100 employees including team leaders and managers. This rural BPO center has reasonably good infrastructure, technology with high-level data security and compliance, with a separate 35-seater training facility. In general, BPO jobs are considered ideal for disabled people since they do not involve much physical movement. So long as the employee has an eye for detail and can speak well, particularly vernacular and multilingual, she can handle the job well. Special emphasis is to allocate work based on ability and provide further training on the job, for example visually impaired persons are trained to handle tele-calling while those with other disabilities are trained in data entry or processing.

Samarthanam has established a cell dedicated for placements and a team that coordinates with special schools to identify students coming out from various institutions. Recruitment also takes place via their own IT training centers such as Techvision, Shrishti BPO, and other call center training institutions. On-the-job training takes place at Kirani rural BPO during induction and there is a refresher program and training to upgrade skills, particularly in niche areas such as financial services where new skills are often required. Unlike with other rural BPOs, many of the employees at Bidadi are not from nearby villages but have migrated mostly from northern parts of Karnataka. These employees feel that the most important aspect for them is that they are able to live a life away from home because of the support systems that have been put in place. Indeed, a most unique aspect of this center is that it has a separate dormitory facility for boys and girls catering to about 70 people in total and that transportation is provided for employees. In addition, Bidadi is equipped with disabled-friendly workstations. Overall, employees are happy because their needs, both personal and work-related, are understood and they feel appreciated that the work allocated is based on their strengths, giving them confidence to face the world.

Kirana has two different models for partnering with clients. The first model is the most popular with the call center at Bidadi providing operational and management support to clients. In this case, recruitment and training of staff is managed at the center in collaboration with the client. With the second model, the Trust provides the infrastructure at Bidadi to run the call center while the operations and staffing is directly managed by the client. At present, Kirana BPO's client base includes 30 seats for Samarthanam's fundraising activities, 20 seats for a private sector bank supporting its retail, private, and wholesale banking platforms, and 7 seats for a travel-booking portal that involves air, bus, hotel, and taxi reservations. Other seats are allocated to a multinational soft drinks company that engages in calling to obtain information about its coolants and an on-call money adviser offering free advice for about 50 financial products. All client companies are reported to be happy with the low attrition and high motivation of employees as well as the good quality of work. A trainer with previous experience of training staff at urban BPOs and who has been working for Kirana remarked that while the incentive to work for urban BPO employees is often driven by the prospect of obtaining higher income, he found that rural BPO employees tend to be more focused on learning. In particular, employees at Samarthanam often persist so hard in learning to overcome their disability and perform well that the quality of work often tends to be far superior than in urban BPOs.

4.5 Rural BPO activity as a catalyst for entrepreneurship and inclusive growth

Drawing on the concept of inclusive growth, our central research question has been to explore the mechanisms through which entrepreneurship as manifested through impact sourcing activity can promote local economic development in peripheral regions of Karnataka. Our analysis supports earlier findings that peripherality can be an asset for entrepreneurship activity as it can lead to inclusive development.

In all three rural BPOs, tradition and underdevelopment have played an important role in anchoring the firm within the locality and respecting local culture as something that is worth preserving and that stands firm against the onslaught of urban culture. For example, the rural BPOs we studied are conscious of the need to moderate interactions between girls and boys in order to comply with social norms and gain acceptability within the community. As well, rural BPOs have devoted more time and effort to inculcate softer skills such as communication and confidence-building among local youth. We identify three specific ways in which the centers studied have benefited from operating in peripheral areas of rural Karnataka. First, in terms of work content, the three rural BPOs we have studied carry out low- to medium-complexity tasks in local language for client organizations. These work processes fit the local supply of employees who have attained up to 12th standard education. Second, the rural BPOs have the security of a captive workforce and low levels of employee attrition enabling them to plan work processes. This employee base arises as a result of strong family ties and social networks within the locality mediated by community organizations such as the gram panchayat, local schools, and colleges. Third, the local intelligence and connections that rural BPOs obtain by employing local youth can provide further opportunities for them to serve as intermediaries for companies that wish to tap rural markets.

The role of the private sector has been important for pursuing an inclusive growth rural BPO strategy in Karnataka. The centers create opportunities for rural youth to earn their livelihood without having to migrate to cities which has beneficial impact on the families of employees as well as more widely for the local economy. The proximity of employment to the household has enabled many women to work for the first time, particularly those who did not have the option of migrating to cities in search of jobs and housewives who have been supported by the rural BPO to juggle domestic duties with working at the center. All three rural BPOs consciously recruited significant numbers of women in their centers although these employees typically have a greater attrition rate as a result of having to move to different locations after marriage. The increase in income among employees has provided an injection into the economy through savings and expenditure. There has been an overall increase in savings which can help to curb vulnerability, and an increase in expenditure on consumables, education, food, housing, and health. In the case of RuralShores, further outreach activities have taken place with the center encouraging employees to run health camps in the locality to support awareness among the community about health, nutrition, and sanitation. The apparent small scale of the developmental outcomes described above within particular localities does not necessarily mean that they are insignificant. On the contrary, the operation of rural BPOs has introduced new entrepreneurial assets and private capital into the local environment which can be available for others to use, generating regional developmental benefits. For example, other elements of the entrepreneurial environment such as local colleges or manufacturing firms may benefit from the presence of the new center.

While employment generation and income diversification for households are critical enablers of poverty alleviation, rural BPO strategy has some way to go before creating large-scale social impact in rural India. The government has a crucial role in creating and sustaining an enabling environment for rural BPO activity and providing vital support services. For example, policies could be directed towards more support in certain areas such as issuing tax holidays for rural BPOs, cheaper land for establishing centers, electricity subsidies, and public transport in rural areas. The BPOs are currently assessed on parameters set by the state IT department which include organizational capacity, infrastructure provision, and human resource capability. However, pathways that connect rural BPO activity to increased entrepreneurship and inclusive growth are unclear. Part of the reason for this is ambivalence within the government about the focus of an inclusive growth strategy. For example, the new Modi administration has tended to reduce both the level of subsidy provided to entrepreneurs and in the required seat numbers both of which provide little incentive for entrepreneurs to invest in rural BPO activity. Aside from these initiatives and their impact on rural employment, inclusive growth requires the establishment of safety nets and social service provision. For example, the main livelihood of families of rural BPO employees in Karnataka is agriculture and households continue to be subject to the uncertainties of small holder farming. The majority of households have no annual savings or access to any kind of insurance.

To conclude, impact sourcing presents an opportunity for peripheral regions in the developing world to benefit from IT outsourcing activity. Our focus in this chapter has been to explore how these regions have been actively reconstituted by entrepreneurs as beneficial assets for market-based activity. However, what we have presented is based on an exploratory study in a single region and only limited claims can be made to generalize the findings. We see two key areas for future research is this area. First, studies are needed to identify how communities build and strengthen their existing social capital through linkages with the rural BPO. In particular, there are important dimensions of trust that sustain relations between entrepreneurs, employees, and the rest of the community. Second, our focus in this chapter has been on rural BPOs as the unit of analysis. Further study can involve exploring broader systems of innovation within peripheral rural localities in the developing world focusing on the interaction between various public, private, and civil society sector players.

Notes

1. The terms "base of the pyramid" or "bottom of the pyramid" derived from economics are also used to refer to the largest but poorest socio-economic group consisting of approximately 4 billion people who live on less than $2.50 per day.
2. The term "inclusive growth" differs from the term "pro-poor growth" although the two terms are sometimes used interchangeably. A key difference is that pro-poor growth targets people living below a specific poverty line while inclusive growth is a more all-encompassing term concerned with a broader population within a country or region that includes the poor.

References

Acs, Z. J., Desai, S., and Hessels, J. (2008). "Entrepreneurship, Economic Development and Institutions." *Small Business Economics,* 31(3): 219–234.

Ali, I. (2007). "Inequality and the Imperative for Inclusive Growth in Asia." *Asian Development Review,* 24(2): 1–16.

Anderson, A. R. (2000). "Paradox in the Periphery: An Entrepreneurial Reconstruction." *Entrepreneurship & Regional Development,* 12: 91–109.

Benneworth, P. (2004). "In What Sense 'Regional Development?': Entrepreneurship, Underdevelopment and Strong Tradition in the Periphery." *Entrepreneurship & Regional Development,* 16: 439–458.

Boettke, P., and Coyne, C. (2003). "Entrepreneurship and Development: Cause of Consequence?" In *Austrian Economics and Entrepreneurial Studies: Advances in Austrian Economics,* 6: 67–87.

Briedenhann, J., and Wickens, E. (2004). "Tourism Routes and a Tool for the Economic Development of Rural Areas – Vibrant Hope or Impossible Dream?" *Tourism Management,* 25(1): 71–79.

Dutz, M. (2007). "Overview: Towards an Action Agenda for Innovation." In *Unleashing India's Innovation: Towards Sustainable and Inclusive Growth,* M. Dutz (ed.). Washington, DC: The World Bank, 1–23.

The Economist (2011). "South Korea's Economy." November 12.

Eisenhardt, K. M. (1989). "Building Theories from Case Study Research." *Academy of Management Review,* 14(4): 532–550.

Fuduric, N. (2008). "Entrepreneurship in the Periphery: Geography and Resources." Aalborg University Publication Series No. 2008–8, Department of Development and Planning.

Glaser, B. G., and Strauss, A. L. (1967). *The Discovery of Grounded Theory.* New York: Aldine.

Heeks, R. (2013). "Emerging Markets: Information Technology Impact Sourcing." *Communications of the ACM,* 56(12): 22–25.

———, and Arun, S. (2010). "Social Outsourcing as a Development Tool." *Journal of International Development,* 22(4): 441–454.

Iamchovichina, E., and Lundstrom, S. (2009). "Inclusive Growth Analytics: Framework and Application." *Policy Research Working Paper Series 4851,* Washington, DC: The World Bank.

Imboden, K. (2005) "Building Inclusive Financial Sectors: The Road to Growth and Poverty Reduction." *Journal of International Affairs,* 58(2): 65–86.

Kennedy, R., Sheth, S., Jhaveri, E., and Kilibarda, L. (2013). "Impact Sourcing: Assessing the Opportunity for Building a Thriving Industry." William Davidson Institute and Rockefeller Foundation.

Lingelback, D. C., De La Vina, L., and Asel, P. (2005). "What's Distinctive about Growth-Oriented Entrepreneurship in Developing Countries?" UTSA College of Business, Center for Global Entrepreneurship Working Paper No. 1. Available at: http://ssm.com/abstract=7426054

McMullen, J. (2011). "Delineating the Domain of Development Entrepreneurship: A Market-Based Approach to Facilitating Inclusive Economic Growth." *Entrepreneurship Theory and Practice,* 35(1): 185–193.

Madon, S., and Sharanappa, S. (2013). "Social IT Outsourcing and Development: Theorising the Linkage." *Information Systems Journal,* 23(5): 381–399.

Malecki, E. (1997). *Technology and Economic Development*. London: Longmans.

Mukherji, S., and Pinto, S. (2012). "Rural Shores: Service Excellence in Indian Hinterland." Bangalore: Indian Institute of Management.

Myers, M. (2009). *Qualitative Research in Business & Management*. London: Sage Publications.

NASSCOM (2014). "Next Generation Outsourcing: Opportunities through Impact Sourcing." NASSCOM Foundation.

Naude, W. (2010). "Entrepreneurship, Developing Countries, and Development Economics: New Approaches and Insights." *Small Bus Econ,* 34(1): 1–12.

Planning Commission of India (2006). *Towards Faster and More Inclusive Growth: An Approach to the 11th Five Year Plan,* New Delhi.

Ravallion, M. (2009). "A Comparative Perspective on Poverty Reduction in Brazil, China and India." *Policy Research Working Paper Series 508,* Washington, DC: World Bank.

Schumpeter, J. A. (1934). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle,* New Brunswick, NJ: Transaction Publishers.

Sharma, M., Chaudhary, V., Bala, R., and Chauhan, R. (2013). "Rural Entrepreneurship in Developing Countries: Challenges, Problems and Performance Appraisal," *Global Journal of Management and Business Studies,* 3(9): 1035–1040.

State Council of China (2006). *The 11th Five Year Plan of National Economy and Social Development of the People's Republic of China 2006–2010*, Beijing.

Tandon, A., and Sparkes, S. (2011). "Non-Income Poverty and Inequality in Asia." In *Poverty, Inequality and Inclusive Growth in Asia*, J. Zhuang (ed.). London: Anthem Press, pp. 86–112.

Tara, S. N. (2011). "A Study of Rural BPOs," *Public Systems Management*, Bangalore: Indian Institute of Management.

UNDP (2007). "Thailand National Human Development Report," United Nations Development Program, Bangkok.

Vossenberg, S. (2013). "Women Entrepreneurship Promotion in Developing Countries: What Explains the Gender Gap in Entrepreneurship and How to Close It?" *Working Paper No. 2013/08*. Maastricht School of Management.

Zhuang, J. and Ali, I. (2011). "Poverty, Inequality and Inclusive Growth in Asia." In *Poverty, Inequality and Inclusive Growth in Asia*, J. Zhuang (ed.). London: Anthem Press, 1–30.

5
Assessing the Development Impact of Social Outsourcing of IT Service

Richard Heeks and Shoba Arun

5.1 Introduction

Governments in developing countries are increasingly involved in outsourcing: contracting out to a third party the provision of goods or services which could otherwise be provided by the client organization. We can characterize two quite different models used, each of which has some potential shortcomings.

Some governments use what we might call "workfare outsourcing": employment schemes for poor citizens often paid on a daily basis and focused on public works projects. Examples include the Employment Guarantee Scheme used in India's Maharashtra state and Argentina's Trabajar program (Ravallion 2003). These have undoubtedly delivered important poverty alleviation benefits. The shortcomings of this approach, though, may include problems of sustainability, difficulty of application to urban poverty (schemes have tended to be rural and seasonal, focused on the agricultural "lean period"), and the failure to create any institutional basis for enterprise and independent income-generation (Deolalikal 1995; Gaiha and Imai 2005). There are also accusations about corrupt diversion of funds, and about creating public works assets that are ultimately damaging rather than beneficial to the poor (Bavadam 2003).

At the other extreme is what we might call "commercial outsourcing": competitive contracting out of internal and external services to private sector firms. Examples include outsourcing of information technology (IT) services by the Barbados government (Bishop 2001) and outsourcing of solid waste management by Kampala City government (Golooba-Mutebi 2003). The shortcomings of this approach may include the subjugation of public service values and goals to profit-seeking, and a loss of public sector control and accountability (Kakabadse and Kakabadse 2001; Heeks 2006). This type of outsourcing has also been politically unpopular with public sector trade unions.

One may see workfare outsourcing as driven by a developmental and poverty reduction agenda seeking to deliver equity goals. One may see commercial

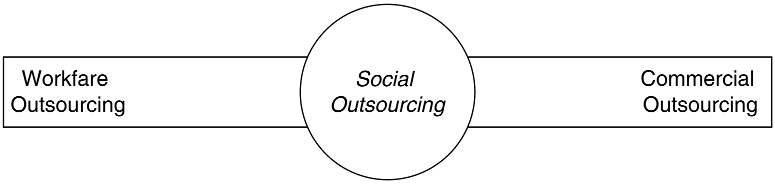


Figure 5.1 The outsourcing continuum

outsourcing as driven by a neo-liberal and new public management agenda seeking to deliver efficiency and effectiveness goals. Both can, of course, also be seen to be driven by a political agenda and political goals claimed to run from vote-banking to union-bashing to corruption to career enhancement (Lacity and Hirschheim 1993; Peled 2000; Lakin and Ravishankar 2006).

Partly because of the problems associated with both workfare and commercial outsourcing, governments are showing an increasing interest in a hybrid form (see Figure 5.1) – "social outsourcing": contracting out the provision of goods or services to a social enterprise. In the United Kingdom, a number of local governments have outsourced activities such as leisure center management, care services, and community transportation to social enterprises (IDeA 2008). There are also examples of social outsourcing by private sector firms, such as the "social offshoring" of IT services via firms like Digital Divide Data in Cambodia (Leonard et al. 2007). And there are examples of social outsourcing by NGOs, such as use by international NGOs of social enterprises for printing or mailing activities (Via3 2003).

In this chapter, we focus on social outsourcing by government which has the aspiration that it will deliver a "triple win":

- Developmental benefits of enriching and empowering a disadvantaged group in society.
- Economic benefits of saving money for government.
- Political benefits of delivering simultaneously on neo-liberal, good governance, and developmental agendas.

5.2 Research question, method and framework

But is this aspiration met in reality? In particular – and focusing here on just the first of the "triple win" elements – can social outsourcing by government deliver the development benefits that other forms of outsourcing sometimes struggle to provide? In order to answer this question, we undertook a case study of the Kudumbashree initiative set up in India by the Kerala State Poverty Eradication Mission (SPEM).

Kudumbashree began formally in 1999. It initially focused on the assisted formation of a series of women's self-help groups around the state, based on two successful pilots run during the 1990s, first in Alappuzha municipality, and then in Malappuram district. At the start, these self-help groups were seen as performing a social development role but this was soon expanded to encompass savings and credit functions. They were then seen as the potential nucleus for economic activity. Building from this, the self-help groups have been used to stimulate the formation of more than 60,000 micro-enterprises up to 2008 (Kudumbashree 2008), both rural and urban, group and individual. Within this overall picture, the focus here is on group enterprises in urban areas of which there were 1,777 by 2008 set up through support from the central government's Development of Women and Children in Urban Areas scheme which has supported similar initiatives in other states. These are seen as social enterprises because they fulfill the three criteria for a social enterprise: they are enterprise-oriented; they have social as well as business aims (such as encouraging savings, alleviating poverty, and addressing female unemployment); and they are socially owned in the sense that they are cooperatively owned by women from poor communities (SEL 2001).

These 1,777 social enterprises cover a wide range of activities such as clothing production, food processing, and direct marketing. Our particular interest was in the 232 information technology sector enterprises that have been set up. This focus came partly because the average annual double-digit growth of the IT sector worldwide provides significant general opportunities in this sector and partly because IT outsourcing from governments is a multi-billion-dollar activity annually, thus providing a specific business opportunity for IT enterprises (WEF 2008).

Field research was undertaken in collaboration with a local partner, Planet Kerala. It began with pilot interviews and enterprise "case sketches" in January 2005 and then proceeded to a broader set of data-gathering activities that was completed in January 2006:

- group interviews with the women members of 38 IT social enterprises, used mainly to build up detailed case studies of each enterprise;
- structured interviews conducted with 133 individual women working in these enterprises, looking particularly at the livelihood impacts of their work;
- unstructured life-story sessions completed by six women from the IT enterprises, used as a source of broader background and contextual factors; and
- four semi-structured interviews with SPEM officials.

In addition, observational data and documentary evidence (such as annual audit figures) were gathered during visits to the IT enterprises and, in September

2005, a set of feedback sessions and visits was organized, as was a group discussion with enterprise leaders and SPEM staff.

In order to answer our main question about the development benefits of social outsourcing, a natural point of departure was poverty. Discussions on poverty have moved on from understanding this merely in terms of income, to understanding the *multidimensionality* of poverty. Perhaps the most well-known conceptual model drawing from the new perspective of multidimensionality is the Sustainable Livelihoods (SL) framework (DFID 1999).

For the work reported here, we chose to focus only on a simple subset of components within the SL model, taking an assets-vulnerability approach of the type that has been used previously for work on women and anti-poverty initiatives (Moser 1998). This approach focuses on what the poor *have* (in terms of a multidimensional view of assets which can be deployed to reduce poverty and vulnerability) rather than what they *do not* have (such as baseline monetary indicators) and so it "contributes to the development of analytical tools to facilitate those interventions which promote opportunities, as well as removing key obstacles" *(*ibid.: 1). It incorporates the notion of vulnerability as a dynamic concept and it captures change processes such as interventions through their impact on the assets that underpin changes to vulnerabilities. Assets are interwoven with livelihoods, so here we look at the way in which social outsourcing as a specific livelihood intervention impacts assets which, in turn, alter vulnerabilities and broader livelihood strategies.

Assets are thought of not simply in tangible terms, such as physical tools, but also in terms of intangible items such as social relations. Our pilot work suggested that four of the five main SL framework classes of assets would be relevant:

- *Financial capital* denotes the financial resources that women use to achieve their livelihood, including available stocks which can be held in several forms such as cash, bank deposits, liquid assets like livestock and jewelry, or resources obtained through credit-providing institutions, and regular inflows of money, including earned income, pensions, other transfers from the state, and remittances.
- *Human capital* represents the skills, knowledge, ability to labor, and good health that together enable women to pursue different livelihood strategies and achieve their livelihood objectives.
- *Physical capital* comprises the basic infrastructure and producer goods needed to support livelihoods.
- *Social capital* is the genre of social resources that women draw upon in pursuit of their livelihood objectives, mainly conceived as networks and relationships based on trust, reciprocity, and exchanges.

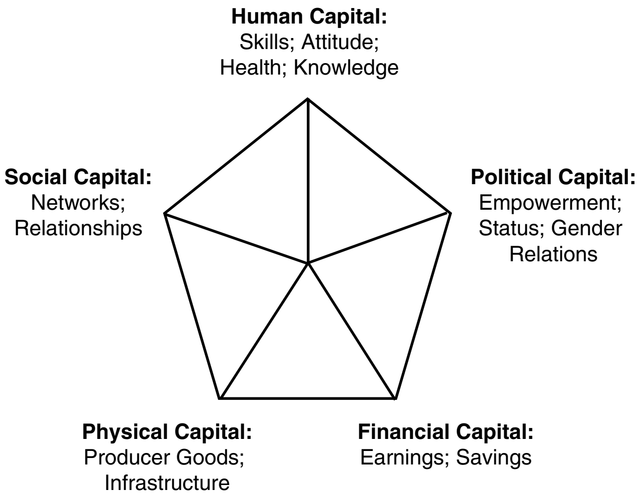


Figure 5.2 Assets framework for impact assessment

Although we did ask questions about the fifth asset – *natural capital* – it did not emerge as a factor directly associated with work in an IT sector enterprise. On the other hand, a number of power-related issues frequently emerged from interviewees: empowerment, their perceived status within their community, their relations to men. In broad terms, these can be seen to relate to *political capital*, and we therefore substituted this in the framework for natural capital. Our final analytical framework is summarized in Figure 5.2.

5.3 Social outsourcing of IT services in Kerala

Social outsourcing, like any outsourcing, requires a conjunction of demand and supply. Demand was provided in Kerala as a result of the state's IT strategy which, in part, has sought to promote computerization of government activities, to develop the IT sector in Kerala, and to increase the IT skills base of the state through training (GoK 2003). Demand and opportunity have been assisted by specific decisions, such as a 1999 court ruling that mandated some computerization within local councils (*panchayats*).

Like most governments worldwide (Heeks 2006), that in Kerala faced an internal supply constraint; both a lack of staff with IT skills capable of supporting the planned computerization and training programs, and a retention problem – staff who gained IT skills were tempted to leave for the private sector. External outsourcing has been seen as a solution to such supply problems, and there were private sector IT services firms operating in Kerala that could have been called upon.

However, officials in SPEM decided to attempt an alternative option, answering at least some of the demand via the creation of IT-oriented social enterprises under the Kudumbashree initiative. Starting with just one or two pilot enterprises in 1999, this approach fairly quickly developed a standard business model.

Support is provided to bring together a group of (typically) ten unemployed women from below-poverty-line households. They are nominated or occasionally invited from the self-help groups; sometimes from a single group, sometimes from two or three neighboring groups. They must each be able to invest US$30, something – at least during initial days of uncertainty about the viability of IT enterprises – that excluded some of the poorest or more risk-averse participants. Government then supplies a grant of ten times the total amount of the group's investment, and helps secure a matching amount as a bank loan. The women thus typically register their cooperative enterprise with starting capital of roughly US$5,500 of which half must be repaid. Again, the size and associated risk of this loan excluded some of the more marginalized potential participants.

As noted above, 232 of these IT social enterprises were created since 1999, and they operate in three main areas:

- IT training: 151 of the enterprises work mainly on IT training. Almost all are attached to a state secondary school, with their computer equipment in a classroom, and most of their work involves the paid training of schoolchildren, with some after-hours/vacation-time training of others such as local community members.
- Data entry and digitization: 78 of the enterprises do data entry work that mainly supports computerization of government; for example, digitizing the state's voter records or entering and helping process the results of a regular statewide poverty survey.
- PC assembly and maintenance: an activity of just three of the women's enterprises which build PCs from parts, sell them (mainly to public sector organizations), and arrange annual maintenance.

A summary example of each enterprise type is provided in Table 5.1.

The digitization and hardware enterprises obtain their public sector contracts in two different ways. In some cases, public agencies issue a tender. Bids are received from the social enterprises and from competing private sector providers, and a contract is issued to the winning bidder. The social enterprises' low cost base mean their bids are often successful. For example, in one early contract, competitors had bid between US$30,000 and US$40,000 for a provident fund digitization contract, whereas the social enterprise was able to charge only US$10,000. In other cases – thanks to a ruling from the

Table 5.1 Example IT social enterprises

	Type of Women's IT Social Enterprise		
Variable	**IT Training**	**Data Entry**	**Hardware Assembly**
Name and location	Divine Computers, Vadakara	Technoworld, Kumarapuram	InfoShree Systems and Peripherals, Kasargod
Date of formation	2002	1999	2003
Main activities	IT training to secondary level students in state schools	Digitization of records for state and local government; some work for private clients	Assembly of computers and sales of peripherals to state government, schools, and a few private clients
Core cooperative membership	6 members with pre-degree qualifications	10 members with bachelor's degrees	10 members with pre-degree qualifications
Additional employees	None	52 casual workers and one supervisor	4 installation and maintenance assistants
Turnover in 2004/5	US$2,380 (485 students trained)	US$15,600	US$8,440 (160 PCs sold)
Average earnings per member per month	US$33	US$55	US$50

state government in Kerala – some public agencies have permission to tender direct to the Kudumbashree project because of its combination of low cost and social purpose. In either case, the State Poverty Eradication Mission acts as the intermediary between client and subcontracting enterprise (or enterprises where it puts together a consortium bid). One overall estimate was that 70% of outsourced IT contracts in local government were being won by Kudumbashree enterprises.

The IT training units work on a rather different basis. Discussions are held with individual secondary schools to see if they wish to have a training enterprise attached to their school, usually if they lack the human and IT resources necessary to undertake IT training. If they agree, an enterprise is assigned to the school and training work is outsourced but there is no tender for this business.

5.4 The livelihoods impact of social outsourcing

Having provided the background, we can now turn to the originally posed question and outline findings on the impact for women enterprise members of involvement in this social outsourcing project. It should be noted that this analysis relates only to the core women members of each IT cooperative, of whom there were roughly 1,570. These IT enterprises also significantly affect other poor women and men indirectly: those employed for additional work (an estimated 650 women and 200 men); those whose goods and services are purchased through the earned income of the core women members; and members of the core-group households and wider families.

Financial Capital: average earnings for the women were US$45 per month, and 79% were earning at least US$1 per day (average earnings for the remainder were US$22 per month). Although a relatively limited sum, this was seen to have made a significant difference to the lives of the women surveyed. Earnings from social outsourcing provided an average of 43% of total household income, and provided 50% or more of household income in just over one-third of cases. In 6% of cases, it was the sole source of household income (for example, single women living with elderly parents). Expectedly, every woman interviewed stated that involvement with this social outsourcing scheme had led to growth in their income and all except those involved in one poorly performing unit reported greater income stability (though see comment below about regularity of payment).

In volume terms, the main utilization of the additional income was for what could be seen as everyday expenditures: food, utilities, clothing, transport to work, and other essentials. However, in terms of the reported *value* of expenditure, women more often reported valuing more exceptional items, as listed in Table 5.2.

Aggregating these figures, we can say that all women reported spending their new income on everyday items. Seventy-seven percent reported economic

Table 5.2 Expenditure of social outsourcing income on non-everyday items

Category	Percentage Reporting Expenditure
Healthcare for ill family member	47%
Social expenses for family marriage or religious festival	43%
Educational expenses	36%
Loan/debt repayment including redemption of pawned items (e.g., gold jewelry)	30%
Gold (e.g., jewelry) as investment	26%
Household items (furniture/electrical goods)	24%
Entertainment	22%
Improvements or construction to house fabric	18%
Significant new asset (e.g., land or motor scooter)	6%
Alcohol/smoking	0%

investment (expenditure on debt repayment or loan item redemption, house improvement, savings, gold, or land). Sixty-nine percent reported social investment (expenditure on healthcare, education, marriage, or festivals). For three-quarters of the women interviewed, it was this income that was seen to have been a main benefit delivered by social outsourcing and the main factor in reducing the vulnerabilities they had previously suffered.

In addition, half of the enterprises studied had paid off their initial loan, some within two or three years of start up despite it being originally offered as a five-year loan, and at least one-third (mostly the same enterprises) had taken further smaller loans to update or expand their IT infrastructure.

Income from the enterprises may be the main source of vulnerability reduction but it does bring its own vulnerabilities that stem from the main source of this income: social outsourcing from public sector organizations. One issue – listed by 25% of the surveyed social enterprises as a main challenge, and experienced by at least twice that number – was the irregularity and delay in payments received. Enterprises sometimes had to wait three, six, even twelve months to receive payment for services or goods provided. The cash-flow problems created were such that a few women had resorted to pawning (and then later redeeming) gold items in order to ensure that loan repayments were made on time. A second issue, discussed further below, is the sustainability of this income source over time.

Human Capital: The Keralan population has higher levels of education than found in areas with equivalent income levels thanks to its particular institutional history, even though there have been limited opportunities for the employment of the competencies thereby created (Veron 2001). The women employed in these IT social enterprises were a representation of this profile. They had, on average, roughly 13.5 years of education, being split fairly evenly between those with pre-degree entry (12 years) and a bachelor's degree (15 years). Yet more than 90% were not in work prior to their involvement with the Kudumbashree project.

Despite their comparatively high starting level of human capital, work in the IT enterprises had enabled the women to strengthen this asset yet further: 58% reported this being one of the two top benefits of involvement with social outsourcing. This had happened most clearly in relation to technical skills: all had built up computer operational skills through a combination of government-funded training and on-the-job learning. Skills of specific relevance to individual types of enterprise – such as hardware assembly or teaching – had also been picked up. The boundaries on this were not watertight: just over 50% of the women had developed secondary skills; for example several staff in data entry enterprises had also undertaken IT training work. In addition, some specialist skills had been created: roughly half the IT trainers were now able to program (for example in Visual Basic), and around one quarter of the women were now able to undertake basic hardware installation and repair.

Particular roles within the group – leader, deputy leader, secretary – were rotated on a one- or two-year basis, allowing development of management and supervisory skills: only 2% said they felt they had not gained such skills, and many felt confident they could now manage on their own. Eighty-five percent stated they had gained communication or language skills as a result of their work.

Entrepreneurship skills were rather harder to pin down: about half of those questioned did not feel they had built up such skills, including all of those in the IT training units, which saw themselves more as part of their schools rather than as separate enterprises. Of those stating they had developed entrepreneurial abilities, 80% identified generic organizational skills – coordination, decision-making, communication – rather than those such as marketing or customer relations that one might associate specifically with running an enterprise. This despite the fact that they had received entrepreneurial training, and that a majority of enterprises were undertaking their own marketing and preparing their own contract bids.

Physical Capital: More than 90% of the women had invested part of their personal income in what they regarded as physical assets (not just gold and housing but also furniture, electrical equipment, and clothing). Some had deliberately invested in cooking equipment such as gas cookers and refrigerators (and processed/packaged food) in order to reduce the time spent cooking.

In addition, there was investment in physical capital by each of the social enterprises. None owned buildings, land or vehicles but they did own their IT infrastructure. There were some variations but a typical pattern had been an initial IT investment of around US$5,500 for about seven computers and software plus a printer, followed, after two to three years, by a further investment (via savings or a new loan) of just over US$2,500 that created an average physical asset base for each enterprise of ten workstation PCs, a more powerful server PC, two printers, plus associated software. These assets were cooperatively owned and they meant that each woman had work-related assets worth the equivalent of something like two years' income. However, the pace of technical change erodes this value since all IT assets depreciate to near zero worth within about five years. Mirroring this, the social enterprises were therefore setting aside funds for continuous investment to replenish this source of physical capital.

Social Capital: Interpreting this in terms of relations, 96% of women felt their contact networks had improved, and 18% felt this was one of the key benefits of social outsourcing. We can categorize three main relations that women in business may build: business linkages to suppliers and customers; social and community linkages; and other institutional linkages such as those to supporting or regulatory institutions (Duncombe and Heeks 2002).

All those interviewed identified important new linkages they had forged to public officials, particularly those in the State Poverty Eradication Mission and in local government offices. These were typically a combination of business and institutional linkages: SPEM was both a supporter and a key intermediary between the enterprises and some of their suppliers and customers; government offices were customers, service providers and regulators. The women had exploited their linkages to officials in state and local agencies; for example, using them to obtain information about government services, to facilitate the provision of those services, and to petition on behalf of friends or neighbors. (Indeed, SPEM staff informally reported they use the women as intermediaries to help expedite personal license renewals, address changes, and so forth, with their local government offices.)

Dominance of the public sector was reflected by the relative lack of private sector contacts which most women felt they had built up: only 10% mentioned such contacts, although half the units were interacting directly with private sector vendors who supplied their IT equipment, and 60% drew customers (individuals for training or local organizations for hardware assembly and data entry) from outside the public sector.

All the women had built up contacts with the local self-help groups created via the Kudumbashree project but these often predated their involvement with the social enterprise, and only a few identified these linkages as an impact of social outsourcing activities. There was little recognition of changes to other social and community linkages except for the relationships women had forged with the other core members of their own enterprise.

Political Capital/Empowerment: Women described their empowerment in terms of changing self-identity and status. Every respondent stated that her confidence had improved, and half the interviewees gave an example of the impact of their new self-confidence – in tackling problems, in approaching institutions, in dealing with other people, and in traveling more widely. Two-thirds said they felt greater respect, recognition, and acceptance in their families and their communities – not simply because of having a job but because of having an IT-related job: something associated with modernity and progress. As a result, for example, community members would approach them with queries about IT or about setting up an enterprise.

Women's participation in their local self-help group pre-dated induction into the social enterprise, and changes in level of involvement with politics or within the community seemed limited. Only 10% reported more involvement with politics, and a similar number reported more participation in social functions within the community. Far more often there was no change or, indeed, a reduction, with reports that time spent in the enterprise was substituting for time spent in wider political/community activity.

Change in gender relations appeared mixed. Two-thirds reported changes in their gender awareness (with many of the others saying they were already gender-aware). Most described this in terms of attitude (e.g., greater confidence about women's roles or new views on women and work) or greater knowledge about gender roles. Within their households, two-thirds of respondents said their involvement with this social outsourcing project had led to changes in their roles, most often framed as having a greater say in family decision-making.

In terms of work, only about one-quarter described changes in what they perceived to be gendered actions, such as an ability to work and travel at night. To this number we can add the (traditionally male) managerial roles that had rotated to about one-third of women at the time of field research. Women in half of the social enterprises had hired and were managing men as employees, and in 20% of the units they were breaking away from traditional female goals of security and stasis to push for growth and expansion. However, men still filled the pivotal roles in the State Poverty Eradication Mission and as local government customers. There remained a degree of deference to fathers or husbands as ultimate decision-makers in the household. And women's triple role – wife/mother, worker, community member – constantly came to the surface as women described their own aspirations and the expectations of others around them.

Sustainability: It is clear that a set of livelihood assets has been created through this social outsourcing initiative, but how sustainable is this? Over half of the social enterprises had been running for more than six years at the time of fieldwork, and more than 90% had been running for more than four – longer than the average lifespan of an IT small enterprise (Liedholm and Mead 1999; Wyngaard 2006). However, questions still arose about the sustainability of social outsourcing around three main aspects:

- *Membership*: the average number of core members in the surveyed enterprises was seven, less than the initial ten because women drop out due to marriage or taking a new job. Of more than 200 IT social enterprises, though, only one case existed in which loss of members had caused enterprise closure. Most groups simply replaced lost members with other employees, hence the average number of participants in each enterprise was just over ten.
- *Support*: development of social outsourcing has required a significant degree of institutional support from government departments, banks, other financial intermediaries, and other local organizations. The social enterprises may find it difficult to sustain themselves without ongoing intervention and support. Having said this, they have moved beyond the start-up phase and there is a solid network of different small enterprise support institutions that could be called upon to provide finance, training, and so forth, if any individual institution stopped providing support.
- *Markets*: the intervention of a single institution – the State Poverty Eradication Mission – has been critical in providing access to markets and it remains a

key intermediary in the process of social outsourcing from public sector clients. Planet Kerala's field researchers, for example, estimated that just under half the social enterprises would survive in the absence of the Mission. Action taken on disintermediation of SPEM includes more direct response to tenders by IT enterprises, the taking on of private sector customers, and the planned creation of a separate body that could provide marketing and support services for the enterprises. For example, 60% of the units were undertaking their own marketing activities to supplement the work of SPEM in helping to get them contracts, and data entry units were earning an average US$500 per year (circa 20% of income) from private customers. However, the units were still centrally reliant on public sector clients – in part, they were victims of the high demand for their work giving them limited capacity for diversification – and there were concerns in half the enterprises about loss of market through competition or fall-off in demand. Two particular threats were perceived. First, "insourcing": mainly a problem for the IT training units, with schools keen to set up their own computer laboratories and teachers. Second, loss of market: mainly a problem for the data entry units once the vast swathe of paper records in the public sector has been digitized. Some IT enterprises were therefore diversifying into call centers and data analysis work in case the pace of digitization work slackened.

In all, there were some concerns about sustainability but they were not yet an overriding issue. Roughly half of the women wanted to develop their enterprise further, while one-third were happy with things as they were. Only one-quarter (often in combination with one of the other two options) would have considered taking an alternative full-time job. So, for the majority, there is a sustainability of commitment: 90% of respondents stated they were motivated to continue with the social enterprise.

Sustainability issues must also be balanced against a recognition of the outcomes that any unsustainability could not take away. Even in the unlikely event that the whole social outsourcing project and its enterprises were to cease operation, this could not remove the household assets already purchased: gold, household goods, education for children, healthcare for family members, marriage, housing improvements, and so forth. In addition, there are assets that the women can take forward into future employment. When asked about this, they mentioned the more obvious and tangible items: their computers and software and, even more "time-proofed", their computing knowledge and skills. Many also mentioned aspects of empowerment, particularly the self-esteem and self-confidence that are central to the success of new business ventures (Heeks et al. 2004).

5.5 Conclusions

This is an initiative that demonstrates social outsourcing can be used to bring direct benefits to members of poor communities in developing countries. These are not the most excluded or the absolute poorest of the poor and they have received an education but there is no sleight of hand here: these are women who came from below-poverty-line households, and who overwhelmingly had no prior job. Through social outsourcing they have undergone an experience of change that can be argued as centrally about empowerment. In part this has been the empowerment of accessing new assets: new skills, new income, new physical assets, new contacts. But just as much this has been a story of psycho-social empowerment: new attitudes, new confidence, new status, new roles, and new identity.

Of course, the Kudumbashree project comes with caveats: ongoing dependencies, introduced vulnerabilities caused by taking out financial loans when payments fluctuate, and questions of sustainability. Nor – recognizing at least some of the asset gains come from the relatively generic transition from unemployment to employment – have we investigated the comparative benefits of alternative livelihood pathways. But these should be seen as question marks rather than fatal flaws. This is not a study in perfection but it does demonstrate that social outsourcing can touch and improve the lives of the poor over a sustained period of several years.

In looking to broader conclusions, some care must be taken because of the importance of context. Kerala is characterized by a particular institutional history of government, civil society, and culture; the women involved were poor and jobless but educated; a strong public sector market for digitization and training created a window of opportunity for this type of activity; there was a political will to allow outsourcing to be shaped by developmental goals; and individuals – notably TK Jose, the former Executive Director of Kudumbashree – have been pivotal to creating and sustaining the initiative. Wider interest in social outsourcing must therefore be contingent: sensitive to context and not simply an attempt to "photocopy" an existing blueprint.

Nonetheless, social outsourcing has delivered sufficient benefits to warrant greater attention by other governments and by development agencies. We have described here its developmental benefits. But government departments report positive feedback on social outsourcing from achieving their IT goals at low cost. And the initiative's political credentials have ensured its survival despite changes of government in Kerala in 2001 and 2006.

Overall, social outsourcing shows how business and development can be brought together. Poverty reduction and empowerment are being achieved through social outsourcing not by rejecting business but by embracing it: by creating new enterprises; by seeking to create new entrepreneurs; and by demonstrating how small business can deliver development goals.

Acknowledgments

This paper has been written from data collected in a research project on women's IT-based enterprises funded by the UK Department for International Development (see http://www.womenictenterprise.org); views expressed here are those of the authors and not those of DFID. Data was collected through the agreement of the State Poverty Eradication Mission in Kerala State, and largely through the research activity of consultants Planet Kerala. Thanks are due to all those who have given up their time and data.

Note

First published as: Heeks, R., and Arun, S. (2010), Social outsourcing as a development tool: the impact of outsourcing IT services to women's social enterprises in Kerala, *Journal of International Development*, 22(4), 441–454.

References

Bavadam, L. (2003). "Undermining a Scheme." *Frontline*, August 2–15. http://www.hinduonnet.com/fline/fl2016/stories/20030815003104600.htm

Bishop, S. (2001). "Outsourcing of Government Information Technology Strategy." In *Reinventing Government in the Information Age*. R. Heeks (ed.). London: Routledge, 253–270.

Deolalikal, A. B. (1995). "Special Employment Program and Poverty Alleviation." *Asian Development Review*, 13(2): 50–73.

DFID (1999). *Sustainable Livelihood Guidance Sheets*. London: Department for International Development.

Duncombe, R., and Heeks, R. B. (2002). "Enterprise across the Digital Divide: Information Systems and Rural Microenterprise in Botswana." *Journal of International Development*, 14(1): 61–74.

Gaiha, R., and Imai, K. (2005). *A Review of the Employment Guarantee Scheme in India*. London: Inter-Regional Inequality Facility, Overseas Development Institute.

GoK (2003). *Economic Review*. Thiruvananthapuram, India: State Planning Board, Government of Kerala.

Golooba-Mutebi, F. (2003). "Devolution and Outsourcing of Municipal Services in Kampala City, Uganda." *Public Administration and Development*, 23(5): 405–418.

Heeks, R. B. (2006). *Implementing and Managing eGovernment*. London: Sage.

Heeks RB, Arun, S., Morgan, S. (2004). *Researching ICT-based Enterprise for Women in Developing Countries: An Enterprise Perspective*. Manchester: IDPM, University of Manchester, http://www.womenictenterprise.org/EnterpriseResearch.doc

IDeA (2008). *Public Procurement and Social Enterprises*. London: Improvement and Development Agency.

Kakabadse, A., and Kakabadse, N. (2001). "Outsourcing in the Public Services." *Public Administration and Development*, 21 (5): 401–413.

Kudumbashree (2008). *Concept, Organisation and Activities*. Thiruvananthapuram, India: State Poverty Eradication Mission.

Lacity, M. C., and Hirschheim, R. (1993). *Information Systems Outsourcing*. Chichester, UK: John Wiley.

Lakin, J. M., and Ravishankar, N. (2006). "Working for Votes: The Politics of Employment Guarantee in India." Paper presented at American Political Science Association annual meeting, Philadelphia, August 31–September.

Leonard, H. B., Epstein, M. J., and Smith, W. K. (2007). *Digital Divide Data: A Social Enterprise in Action*, Case 307–106. Cambridge, MA: Harvard Business School.

Liedholm, C., and Mead, D. C. (1999). *Small Enterprises and Economic Development*. London: Routledge.

Moser, C. (1998). "The Asset-Vulnerability Framework: Reassessing Urban Poverty Reduction Strategies." *World Development*, 26(1): 1–19.

Peled, A. (2000). "The Politics of Outsourcing." *Information Infrastructure and Policy*, 6: 209–225.

Ravallion, M. (2003). *Targeted Transfers in Poor Countries*. Social Protection Discussion Paper no. 314. Washington, DC: World Bank.

SEL (2001). *Understanding Social Enterprise*. London: Social Enterprise London.

Veron, R. (2001). "The 'New' Kerala Model: Lessons for Sustainable Development." *World Development*, 29(4): 601–617.

Via3 (2003). *Social Responsibility: Practise What You Preach*. London: Via3net.

WEF (2008). *The Global Information Technology Report 2007–2008*. Geneva: World Economic Forum.

Wyngaard, A. T. (2006). *An Introduction to Economic Development in the Western Cape*. Cape Town: Department of Economic Development and Tourism. http://www.capegateway.gov.za/Text/2006/2/economicdevelopment.pdf

6
Assessing the Social Development Potential of Impact Sourcing

Fareesa Malik, Brian Nicholson and Sharon Morgan

6.1 Introduction

This chapter investigates the social development impact of impact sourcing, an emerging sub-field of global Information Technology (IT) and Business Process Outsourcing (BPO). Proponents of impact sourcing claim that it can create outsourcing employment opportunities through Information Communications Technology (ICT) for marginalized people living in areas of poor employment opportunities (Monitor 2011). Impact sourcing is a relatively new field with intense research potential and limited research literature. Most of the global outsourcing academic literature is focused on various dimensions of the management of commercial outsourcing (for a comprehensive review see Lacity et al. [2010] and Lacity et al. [2011]).

There is a nascent literature on social development through IT and BPO initiatives in commercial outsourcing relationships (Babin and Nicholson 2009; Carmel et al. 2014; Madon and Sharanappa 2013) and public-sector–driven social development projects (Heeks and Arun 2010). However, there is a paucity of literature that focuses on social development impact in ITO/BPO. This study identifies social development impact as the potential and achieved capabilities of marginalized outsourcing employees.

This chapter contributes to the IT/BPO social development literature and specifically focuses on the social development impact of commercial and for profit-IT and BPO. The overarching research question guiding our inquiry is:

> How are social development benefits realized in a for-profit commercial IT / BPO Impact Sourcing arrangement?

The empirical research concerns a case study of outsourcing employees and assesses the impact on their lives where "impact" is defined as "positive and negative, primary and secondary long- term effects produced by a development intervention, directly or indirectly, intended or unintended" (OECD-DAC 2002: 24). To assess the social development impact we use Sen's Capability approach as an analytical tool (Sen 1999).

The chapter is organized as follows: the literature review is in the next section followed by the conceptual framework. Research methodology is presented in Section 4. We present the research findings in Section 5 and the final section focuses on the research contribution.

6.2 Literature review

Outsourcing is a process of sending work to an external organization (the service provider) that was previously undertaken within the client's organization (Beaumont and Sohal 2004; Lacity et al. 2008). The main justification for ITO and BPO is to focus on core capabilities and obtain high-quality services at low cost from outsourcing service providers (Lacity et al. 2010, 2011). Impact sourcing combines this commercial focus with a development agenda. Carmel et al. (2013) define impact sourcing as: "a practice of hiring and training marginalized individuals to provide information technology, business process, or other digitally enabled services who normally would have few opportunities for good employment" (p. 5).

Monitor (2011) defines impact sourcing as an outsourcing practice which focuses on creating employment for people who live at the Bottom of Pyramid (BoP) which is the largest socio-economic marginalized group of 4 billion people who live on less than two dollars per day (Prahalad 2009). Accenture (2012) broadens the definition from BoP to "marginalized individuals" in low employment areas. Their definition of "marginalized" is not restricted to income; people may be marginalized because of race, religion, gender, sexual orientation, disability, location, or any other criteria (Carmel et al. 2014).

Complex IT outsourcing jobs, for example software design, development, and testing can be performed through impact sourcing (Accenture 2012). Recent studies show that most of the work tends to be labor intensive and the least technical of ICT-related outsourcing tasks which can be learned relatively easily. Examples include call center, support help desk, data entry, voice and data transcription, data conversion, and online sales (Accenture 2012; Heeks and Arun 2010; Madon and Sharanappa 2013).

Practitioner industry reports (Monitor 2011; Avasant 2012; Accenture 2012) claim impact sourcing offers a "win-win strategy" (Falck and Heblich 2007) for the outsourcing service providers and clients in terms of offering lower costs outsourcing services to clients. Additionally, the outsourcing service providers can obtain the cost-saving advantage of employing marginalized individuals with relatively low operational cost and employee attrition rate. Many of the major centers for ITO/BPO in India (Bangalore, Mumbai, Delhi) have very high rates of staff attrition. The claim of proponents of impact sourcing is that marginalized people (people with limited education, no work experience, or belonging to the communities of low employment opportunities) may be trained to perform outsourced tasks which can improve their income and skills (Accenture 2013; Monitor 2011). However, there is a gap in the literature as the evidence from practitioner reports tends to focus more on the first "win" by capturing the benefit to outsourcing service providers. The claimed second "win" has yet to be fully explored by assessing the social development impact for marginalized outsourcing employees.

Another related concept of impact sourcing is social outsourcing or social IT outsourcing (Heeks and Arun 2010) where social outsourcing is defined as "contracting out the provision of goods or services to a social enterprise" (ibid.: 442). Heeks and Arun (2010) studied Kudumbashree, a social outsourcing project of an Indian state government. The initiative supports poor rural Indian women in Kerala to establish social ICT enterprises with the help of government grants and bank loans, with government acting as an intermediary to provide public sector outsourcing projects for these ICT social enterprises (Heeks and Arun 2010). Madon and Sharanappa (2013) explored social IT outsourcing, identifying the balance between market orientation and social development, thus embracing social enterprise concepts in outsourcing. In a case study of the IT outsourcing activity of KGVK, a nonprofit arm of KGVK Rural Enterprises, they considered the development objectives of the IT outsourcing enterprise with respect to the local community needs.

But how do we assess social development impact? Carmel et al. (2014) highlight that a major focus of research in this area to date is on impact sourcing service providers and their clients, rather than their employees, and suggest that analysis and assessment of the social development impact may be best explored with the help of development literature. In this chapter we respond to this research gap and evaluate the social development impact of a for-profit commercial outsourcing service provider by using Amartya Sen's Capability Approach (Sen 1999, 1988, 2009).

6.3 Conceptual framework

Sen's Capability Approach offers a set of conceptual tools to assess change in society in terms of individual well-being and social development (Sen 1999; Robeyns 2005). The Capability framework is focused on the achievement of individual capabilities. Sen has argued for developing policies and projects that improve individual capabilities so that people have freedom to live the lives they value (Sen 1999). Scholars have proposed different approaches to operationalize the Capability Approach (Nussbaum 2011; Robeyns 2005; Alkire

2005). In this chapter we use Robeyns's (2005) interpretation as the guiding framework for this research due to its wide empirical application and clarity.

Focusing on the key development impact of being employed by the impact sourcing organization, this study takes into account three salient elements of Sen's Capability Approach: conversion factors, resources (capabilities input), and capabilities.

- Capabilities include a set of potential and achieved functionings that the impact sourcing initiative may have enabled in marginalized outsourcing employees.
- Conversion factors include all elements which may enable or restrict an individual from being employed, for example, lack of skills, lack of resources, cultural constraints, family support, and so forth.
- Resources include all tangible or intangible resources which act as capability inputs and opportunities provided by the outsourcing service provider to extend capabilities or to minimize the effect of restrictive conversion factors. For example, provision of training, a conducive work environment, provision of Internet and computers, and so forth.

6.4 Methodology

This study is based on an interpretive case study to explore the phenomenon in its natural setting (Walsham 2006; Benbasat et al. 1987). Qualitative research methods were used to collect and analyze data. Primary data was collected through semi-structured interviews with company employees in the Harva outsourcing center located in Tikli village, near district Gurgaon in Haryana State, India. Due to practical constraints, interviews were conducted through Skype and telephone. Robeyn's (2005) operationalization of the Capability Approach was used as a guiding framework to structure interview questions but the semi-structured interviews were exploratory in nature and allowed interviewees to deviate from the topics without constraint. We asked questions to gain employee perceptions around the topics of outsourcing job experience, usability of ICT, enabling and restricting factors of doing IT/BP outsourcing jobs, availability of tangible and intangible resources to support employment, and changes in capabilities (both negative or positive) as a result of their engagement with Harva. Altogether ten interviews of varying length, 30 minutes to 75 minutes, were undertaken with company employees belonging to different levels: high-level management, middle-level management, outsourcing employees and trainees. Secondary data was also collected through the company's website, press releases, and other reports.[1]

The research employed purposive sampling techniques to establish a good connection between research questions and data collection (Cassell and Symon 2004). The respondent sample was diverse in terms of working experience, ranging from the most senior employees with three years of experience since the company's inception. The most junior trainees had joined Harva in the last two months. Since Harva is a women-based outsourcing service provider, the interviewees were all women aged 18 to 32 years who did not attend university and had an average educational level of 12th grade.

Respondents were given complete freedom of expression to speak in a language in which they felt comfortable, as the interviewer and first author (a female Pakistani national) can converse in Hindi and in English. All interviews were recorded, transcribed, and translated into English by the interviewer. Secondary data (reports, website, and press releases) were already in English and did not require translation. Thematic data analysis techniques were used to analyze the data, drawing on Robeyn's (2005) operationalization of Sen's Capability Approach. NVivo 9 software was used to organize and manage data (Bazeley and Jackson 2013). The initial process of coding was to generate some basic codes relevant to the research questions and objectives (Miles and Huberman 1994; Silverman 2006). The three main elements of Sen's Capability Approach, "Conversion Factors," "Resources," and "Capabilities" were defined as parent codes in the software. These three parent codes acted as a basic structure for data analysis. Interviews were analyzed on an individual basis with each transcript analyzed thoroughly for identification of further codes under these three themes. Sub-categories were also defined by grouping similar codes. The process was iterative in nature and new codes and sub-codes were added, deleted or merged in each iteration. A total of 63 codes were identified after all interviews had been analyzed, under 12 key categories. Although the coding process was carefully focused on the research problem and questions, it was completely open to emerging concepts and new themes related to the research (Lincoln and Guba 1985).

6.4.1 Case description

Harva is an Indian for-profit commercial outsourcing service provider that was established in 2010 and opened its first rural outsourcing center in the Indian village of Tikli in Haryana. Tikli is an agrarian village 42.6 kilometers north of India's capital, New Delhi, with a population of about 15,034 persons living in around 1,390 households. Located in this farming community are employees of a rural BPO run by Harva as a start-up. Along with typical business objectives, for example, profitability, Harva also has development objectives as part of its corporate social responsibility (CSR): to create an ICT-producer market across India by tapping the rural outsourcing talent. This differs from most social and technological inclusion initiatives that cover rural and remote areas to tap their large ICT-consumer market (for example, expansion of ICT services, mobile networks, micro finance) (Bhattacharya et al. 2009). Under its slogan "Harnessing the Value" Harva provides free basic ICT and outsourcing job training to rural women. ICT training includes basic computer-operating skills, Microsoft Office, and Internet. English language training and basic outsourcing job training such as data entry are also provided. After initial training, women are offered jobs in the center located closely to their village. To date, Harva has opened its outsourcing centers in 14 states of India and has employed over 400 rural women.

6.5 Findings

Research findings are presented in three broad categories representing the three components of the conceptual framework: conversion factors, resources, and capabilities.

6.5.1 Conversion factors

Conversion factors include all those elements that may enable/restrict individual opportunities or choices (capabilities) of working as an outsourcing employee. They are divided into individual conversion factors, social conversion factors, environmental conversion factors, and technology conversion factors. The summary of all conversion factors is presented in Table 6.1.

Table 6.1 Conversion factors

Category	Subcategory	Code
Individual conversion factor	Enabling individual conversion factors	Personal will to financially support family Motivation for learning Self-belief
	Restrictive individual conversion factors	Lack of confidence Technical incompetency Language incompetency
Social conversion factors	Enabling social conversion factors	Awareness about importance of ICT (technology image) Family support and encouragement
	Restrictive social conversion factors	Culture and norms Gender inequity Family opposition Poor social standing
Environmental conversion factor	Restrictive environment conversation factors	Distance and travel issues Power shortage
Technology conversion factors	Enabling technology conversion factors	Awareness about the importance of ICT
	Restrictive technology conversion factors	Fear of technology Unavailability of computers Unavailability of Internet Expensive smartphones

6.5.2 Individual conversion factor

The respondents identified both enabling and restrictive individual conversion factors during interviews. We categorize enabling factors as "self-belief," "motivation for learning," and "personal will to financially support their families." Self-belief was a major individual factor which helped employees to realize that if they try they can learn and get a white-collar job. They wanted to learn and increase their ICT and professional skills. The inner drive, motivation for learning, and self-motivation are primary individual factors which help them to embrace the existing ICT training and outsourcing employment opportunities. They were willing to come to the outsourcing center for training and work. If they didn't have self-motivation and willingness then it would be impossible to bring them to the learning and earning opportunities provided by Harva. One outsourcing employee stated:

> I had believed in myself that I could do something and I will learn this all. (Respondent 5)

Financial conditions of rural women were not very good (Fan et al. 2000). These women wanted to support their families by contributing financially for their well-being. They realized that if they can get some decent earning opportunities then their family's financial condition could become better. Their inner will to contribute financially is another individual enabling factor which encouraged them to join Harva. One respondent commented:

> They announced free computer training for women leading to the outsourcing work opportunity. I came to know that less-educated women of ten- to twelfth-grade educational level, who are staying at home spending time in house chores and dung cleaning, could also get jobs. Then I thought, let's go out and earn money to support my family. (Respondent 3)

However, there were restrictive factors as well. First, the majority of the outsourcing employees had not seen a computer before in their lives, and they interpreted their lack of skills to operate computers as their inappropriateness for work:

> Initially I had a fear that I could not do the job because I didn't know computers. (Respondent 6)

Another individual restrictive conversion factor was English-language incompetency. They thought that as they could not speak and understand English properly, it would be almost impossible for them to learn computers and get an office job. Computers and the notion of women working in offices were both quite unusual for them. Those rural women had never worked in offices before Harva opened its outsourcing center in the village. It was difficult for them to be confident enough to go out from their houses to work. An outsourcing employee talked about her lack of confidence:

> I was worried about my English and confidence, but here all my seniors have helped me and supported me a lot. (Respondent 4)

6.5.3 Social conversion factors

Social norms and cultural factors had significant influence on the rural women's decision to work in the Harva center. India is regarded by many scholars as a patriarchal society (Chakravarti 1993). Patriarchy is a social system and culture of male dominance (Walby 1989). Generally, village cultural norms dictated that women do not work in offices. However, some respondents were obtaining ICT training and working as outsourcing employees because of family encouragement and support. These women and their family members are well aware of the importance of ICT (Cecchini and Scott 2003). One trainee commented:

> My family wanted me to learn computers so that I could be employable. Then I thought, OK. Let's learn computers and come in this field. (Respondent 10)

At the same time, other respondents faced opposition from their families before joining the outsourcing organization. One respondent shared a bad experience of her friend who joined the office along with her but had to leave the job because of adverse social and family pressure:

> The husband of a woman who had joined for computer training with me forbade her to learn and work in the office. But she wanted to learn ICT and work here so she continued coming here. Then he became abusive because he could not tolerate that she earns. He insisted that he would earn himself. She could not solve her domestic issues and left during training. It was an exceptional case; the majority of women here are supported by their family. (Respondent 3)

Employees commented that working in an office and being employed for a white-collar job was something new in that culture:

> I did not face serious challenges, only my mother-in-law had some objections that "what will you do by doing a job? There is lots of work at home and in the fields, how could it be managed?" But my husband supported me and I started working, now everyone is happy." (Respondent 3)

We could not find any particular reason behind this contradictory finding; all respondents belonged to the same area, sharing the same culture, traditions, and social values. Initial findings reflected that the difference could be explained by marital status; the unmarried outsourcing employees faced less social pressure and obtained permission to work from their parents more easily. Married women by contrast were expected to manage the home and children. After more interviews with married outsourcing employees, married women expressed a greater level of commitment to their jobs. For some, their husbands and in-laws supported them by looking after the children in their absence because they were perceived as working for the betterment of their family.

> I told my husband that I want to do the job. He said it is fine for me. If you feel this job is good for you then go ahead. (Respondent 4)

Another explanation is that some families in the village are quicker in accepting positive change whereas the process of social acceptance was slow in other families.

6.5.4 Environmental conversion factors

Restrictive conversion factors imposed by the commutation to distant areas are a major challenge which rural women face (Madon and Sharanappa 2013). It was very difficult for the rural women to travel to the nearby city for ICT training due to slow and unreliable public transportation from the village. Additionally, social norms restricting women traveling alone on buses was another restricting factor:

> If I would have to go outside the village for a job and I will ask my parents for permission then they will refuse my request completely. (Respondent 9)

Clearly, distance and travel issues are considerable environmental conversion factors which have restricted women's ICT training and outsourcing employability.

Power outage was another environmental conversion factor which comes out during investigation as restricting ICT capabilities. Most of the time there was no electricity in the village or the power was too low to operate electronic devices Many respondents had never seen a computer before joining Harva because they did not have it at their home or neighborhood. Access to capital and power constraints had discouraged the availability of electronic devices and thus their usage.

6.5.5 Technology conversion factors

During this study a new conversion factor adding to Robeyn's (2005) frame emerged from the data. Interviewees identified technology as a separate category under conversion factors with both enabler and restrictive features. The parents of some respondents had realized that their daughters should learn computing along with basic education to improve their employability.

> My father wanted me to study and my mother insisted that I have to learn computers so that I can start my professional life in parallel. (Respondent 10)

Generally, women outsourcing employees and their families had good awareness about the importance of ICT – a major enabling factor to encourage women for ICT training and outsourcing employment. They perceived that computer-operating skills are necessary to obtain white-collar employment. One trainee shared her view:

> Computer is a need of this world and I had realized it. I knew that I have to learn it to be competitive. When we will apply for any job, people will ask: "do you know computer?" (Respondent 7)

However, fear of using technology and the lack of availability of computers, Internet and smartphones at home emerged as a restrictive technology conversion factor. One outsourcing employee commented:

> I did not know how to use Internet and computers. I did use mobile just for receiving and making calls but did not know anything about its other functionality. (Respondent 8)

Some respondents had never seen computers in their life before; some had never used the Internet, as one trainee expressed:

> I did not know anything; I did not know there is something called Internet. Now, my knowledge has increased. (Respondent 9)

Mobile phones, however, were common and all respondents had used them even if they did not have their personal mobile phone. Almost all employees use mobile phones to communicate with their family and they considered it a necessity rather than a luxury. However, the majority of them still do not have access to a computer and Internet at their homes and they use them in the outsourcing center only. Internet facilities were not available in the village which restricts the use of the Internet. The CEO of Harva mentioned the ICT resource challenges:

> Basic challenges are power and internet. These challenges are primary. (Respondent 1)

Very few respondents, which included higher- and middle-level management and most senior outsourcing employees, were using Internet on their mobile due to the extra cost of mobile Internet and smartphones. Respondents shared their initial experience of learning technology. They were scared of using computers and the fear of breaking the computer or keyboard was a major problem which made them reluctant initially to touch them:

> The problem I faced initially was a real fear to operate the computer. As I did not operate it before so I was scared that something would go wrong or maybe I would break it. What if the window malfunctions? (Respondent 4)

As this technology was not available in the domestic context, employees had no initial familiarity.

6.5.6 Resources (capabilities input)

In this section, we discuss what kind of resources the impact sourcing organization has provided to their employees. We will also discuss the impact of these resources on conversion factors, particularly the effect on restrictive conversion factors. These resources are categorized into tangible and intangible resources and taken as capability inputs. The summary of resources from our findings is summarized in Table 6.2.

Table 6.2 Resources

Category	Subcategory	Codes
Tangible resources	Office facilities	Closely located office building Office furniture Continuous power supply through generator
	Provision of ICT equipment	Good Internet connection Computers Smartphones
Intangible resources	Colleagues' support	Peer encouragement Professional help and support
	Learning and working environment	Flexible learning and working hours Cultural acceptance Allowed to retain their traditional attire and norms
	Provision of training	Basic ICT training English-language training BPO skills training ITO skills training Soft skills and professional training

6.5.7 Tangible resources

Physical working resources and ICT equipment are tangible resources which have been provided by Harva. We have discussed under environmental conversion factors that travel to distant areas for learning and earning was a major hurdle for rural women. Harva has opened its outsourcing center very close to the villages where women can walk to the workplace. One 19-year-old trainee commented about the importance of this proximity for family approval:

> This is the first time I go out of the house for work. My parents and grandparents are very satisfied now because the center is nearby to my house and I am working with local and known people. They think I am quite young and immature and it is safe to come here. I arrive here walking with friends. (Respondent 9)

The outsourcing center was using a generator for maintaining a continuous supply of electricity because of power outages. Outsourcing employees were provided with individual computers and high-speed Internet during training and after training to perform their outsourcing tasks. In their free time these women could use these facilities for personal matters, for example, social media or Internet browsing or entertainment. One outsourcing employee told us that:

> I don't have Internet and computer at home but I use Internet at center daily when I get free time. (Respondent 4)

The outsourcing center also had some smartphones which were given to the employees for mobile applications testing. These phones were not given for personal use but so that employees would get some hands-on experience in using the latest mobile phones and gain knowledge about Android technology. Here we see examples of resources provision enabling the women to build social capital for their own development (Heeks and Arun 2010).

6.5.8 Intangible resources

Colleagues' support, comfortable learning and working environment, and provision of training are the intangible resources which were provided by the center. Rural women were obtaining continuous encouragement and support from their peers and higher-level management. During their training phase they received continuous support if they started losing confidence. One outsourcing employee shared her experience:

> I discussed my concerns with my trainer that I don't think I could learn English but he said, "No, have trust and confidence on yourself; you can learn it." (Respondent 3)

When they started jobs after training, everyone in the center tried to help one another out in doing work. The company management gave extra attention to those employees who could not perform well. Instead of discouraging them, collective efforts from colleagues were used to bring those employees to the required level of quality and throughput.

> I am giving credit to my center manager. She encourages me a lot and continuously reminding me that I can do anything and I should try my level best. (Respondent 4)

The women had options to work any shift as the center provides flexible hours. Evening shift training was provided to female students with free computer training after their school and college hours. Outsourcing employees were getting paid according to quantity of work and there is no restriction of fixed hours to retain their jobs. This flexibility encourages rural women to learn as well as to earn money.

Respondents believed that they had experienced no favoritism and that all employees were treated equally. They were more comfortable with the people they knew from the village; it was easier for them to learn from someone like them (from the same location and background). As a trainee commented:

> I am belonging to the village. I could not adjust and learn in a modern high-class computer center in the city directly, I might feel some inferiority complexes. But this center is in village and most of the trainers are from us who initially learn and then transmit knowledge. We speak same language so it is in my comfort zone. The environment is very conducive and comfortable that's why I like to come here to learn things and do the job. (Respondent 9)

As Harva was the first impact sourcing organization that had established its outsourcing center in the village, company policies did not force women to change their attire. Some at Harva believe that the women's outsourcing employment had gradually gained acceptance in the community because it did not conflict with their cultural and religious norms and values. Rural women have the freedom to maintain their cultural or religious identity while working at Harva. The CEO commented:

> The women in some area usually wear Ghongat (veil to cover their faces). That's why they were not allowed to step out from their homes for work. We did not ask them to change their outlook for work. (Respondent 1)

Respondents had no university degrees, professional training, or any kind of professional experience before joining Harva. The training represents resources which the impact sourcing organization has provided to rural women to overcome their lack of language and technical competence thus overcoming individual restrictive conversion factors. All rural women were offered free computer training initially and those who were willing to learn could come to the outsourcing center in evening shifts. One woman shared her experience of joining computer training and the necessity for family approval:

> I had to convince my family that I am getting computer knowledge without spending any money so they did not have any objection. (Respondent 7)

Basic English-language training was also part of the training. An outsourcing employee mentioned it:

> It was very hard to do work in English and especially to learn computer which is in English. But they provided us a teacher who taught us English for one month. Then things became easier for me. (Respondent 3)

Here once again we see wider potential impact of such resource provision for building social capital.

6.5.9 Capabilities (sets of potential and achieved capabilities)

Capabilities are sets of potential and achieved functioning which outsourcing employees are able to achieve as a result of resources provided by the impact sourcing organization.

We have identified six types of capabilities from the data set: economic capabilities, educational capabilities, individual capabilities, professional capabilities, and ICT usability capabilities. These capabilities include both potential and achieved capabilities because we present the aggregated findings of all respondents. For example, capability of supporting higher education under educational capabilities is a potential capability of all outsourcing employees but few of them had chosen it as an achieved capability by continuing their higher study. Table 6.3 summarizes the findings related to employees' capabilities.

6.5.10 Economic capabilities

Working as an outsourcing employee had a major influence on respondents' economic capabilities. Respondents told us that their job supported them financially and now they can spend their earnings on different expenses. Respondents spent their earned income to meet everyday expenses, for example, to buy daily groceries, to invest in personal and children's insurance, to save in banks, to spend on personal and children's education and also on

Table 6.3 Set of potential and achieved capabilities

Category	Code
Economic capabilities	Spending on daily expenses
	Investment capabilities
	Saving capabilities
	Spending on education
	Spending on health
Empowerment	Social empowerment
	Financial empowerment
	Technology empowerment
Educational capabilities	Improved knowledge
	Supporting higher education
	ICT education
Individual capabilities	Decision-making power
	Improved communication skills
	Improved self-confidence
	Multitasking and management skills
	Perception about the world
	Personal development
Professional capabilities	Employability
	Professionalism
	Awareness of client expectations of quality management
	Punctuality
	Teamwork
ICT usability capabilities	Education and knowledge
	Knowledge of sources of information
	Performing outsourcing tasks
	Submitting tasks to head office
	Socialization and networking
	Entertainment
	Communication and keeping in touch with family

their children's health. We realized that women were not only bearing their everyday expenses but they were making saving decisions for the future. One outsourcing employee stated:

> I also use (the salary) to do some savings. After household daily expense, I am able to spend it on insurance of myself and my daughter. (Respondent 3)

There were two different spending approaches between married and unmarried employees. The unmarried group tends to spend their earned income to bear their own expenses, education, and to support their families:

> I spent my money to buy books; I have passed twelve grades. (Respondent 5)

The unmarried girls were also interested in saving some portion of their earned money for their wedding expense or planning to spend on higher education.

> From last three years I am saving my salary in bank. I will use it meet my wedding expense. (Respondent 7)

Married outsourcing employees are more focused towards spending their income on health and their children's future education as well as household expenditures. One respondent told us that she did not spend her money on everyday expenses and saved it for major expenses, for example, to buy some expensive household item if necessary; otherwise she was saving money to take her son to a good private school.

> We are thinking about our son, as he is growing up. We are planning to take him to a good private school which will definitely cost us more. This is the reason we are saving money; we are saving for our son's bright educational future. (Respondent 4)

6.5.11 Educational capabilities

The education capabilities that respondents believed had improved after getting this employment included increased knowledge, capability for higher education, and ICT education. These outsourcing employees had acquired knowledge about technology and the job market and their perspective of life had changed after becoming outsourcing professionals. They did not know the importance of education and a professional career before, but when they started their job and socialized with colleagues, they exchanged information and gained knowledge. Their working life had caused them to realize the importance of education.

> My knowledge has increased and my confidence has improved. (Respondent 9)

One respondent told us that now she was giving priority to her children's education because she had become aware about its importance for their future. Outsourcing employees and trainees were motivated to continue their education towards a more progressive professional career. Working in the outsourcing center could help them afford their own educational expenses. One trainee expressed her future wish to continue her education:

> I will do job here after learning computer but I will not leave my education; I will continue it in parallel because I will be able to bear my educational expenses very soon. (Respondent 10)

The outsourcing center contributed an active part in spreading ICT education in that area:

> Now I have complete confidence that I can operate computer properly. I use Microsoft Excel for data entry and Gmail for sending emails. In my free time, I check my Facebook and read news. (Respondent 5)

6.5.12 Empowerment

Empowerment is interpreted in Sen's Capability Approach as freedom to live a life a person values (Sen 1999). We found three kinds of empowerment from our data: social, financial, and technological. Women felt socially empowered after becoming outsourcing professionals. Their in-laws and husbands were more supportive now and were sharing the domestic workload so that they could manage their jobs. Their respect and value in the family had increased.

> I share everything with my husband and now if he faces any problem he takes my advice. I used to guide him what to do and what not to do. He listens to my suggestions. Now the attitude of family and relatives has changed. They know I can do something. (Respondent 4)

Outsourcing employment had made them financially independent. One outsourcing employee told us:

> I don't need to ask my parents for my personal expenses, now I can bear them by myself. (Respondent 7)

Apart from financial independence, they were capable enough to contribute partially to meet their family expenses:

> I am getting money based on my work. I keep some money for myself and I give the remaining to my family for everyday expense. (Respondent 8)

6.5.13 Personal capabilities

Another theme that emerged from the data after analysis is personal capabilities. Our definition of personal capabilities includes all positive changes in individual characteristics after getting employment (Madon and Sharanappa 2013). One major change in personality that all outsourcing employees mentioned during interviews was improvement in their communication skills. Women could not communicate properly with new people before; they felt reluctant, shy, and sometimes scared. They told us that professional life had given them confidence and enabled them to communicate effectively.

One outsourcing employee said:

> My speaking power and communication skills have improved. I felt shy, reluctant, and inferior while talking with strangers. I can see a major change in my personality, now I am talking to you confidently. (Respondent 9)

They have gained confidence to speak and communicate properly. One thing that we noticed during interviews was the different levels of self-confidence among the respondents. Senior outsourcing employees who had been working in the outsourcing center for a long time were very confident in replying to the interview questions in detail, whereas some trainees who recently had started to come to the outsourcing center for ICT training were shy and preferred nodding their heads or gave very short answers, sometimes only "Yes" and "No." The fact that they were speaking to a stranger and also through Skype technology that was new for them, might be a reason for their attitude, as they were not confident with its use as compared to other senior employees.

Professional life had helped to develop their self-confidence and trust.

> I have got trust and self-confidence that I can do anything now. (Respondent 6)

Female respondents had gained multitasking skills. Before starting their professional life they spent all of their time doing household chores. They still had been managing these very well with the job because of self-organization. They managed to complete their home responsibilities before coming to the office.

> I used to manage house chores and office work together. If I don't come to office I feel tiredness and boredom because of doing nothing. I have become habitual of multitasking and distributing my time. (Respondent 4)

Along with family responsibility they were also concerned about their own appearance and personality and were also enjoying the positive changes in their personalities.

> After joining here, I can see lots of changes in myself. My style of speaking, personality, and communication with people have improved. (Respondent 5)

6.6 Discussion

This chapter has added to the limited literature on impact sourcing, where BPO business models are used to bring development benefits to marginalized communities. Whereas previous research in this arena has focused on either the business benefits alone, or on the social development benefit within a non-profit social enterprise (Madon and Sharanappa 2013) or limited commercial environment (Heeks and Arun 2010), this research is unique in investigating potential for social development impact while operating under a for-profit commercial business model.

The main contribution of this study is highlighting the restrictive and enabling conversion factors that may influence the overall capabilities of marginalized outsourcing employees, and, secondly, how the impact sourcing organization may contribute to minimize the effect of restrictive conversion factors and enable capabilities by providing resources. Using interview data of outsourcing employees, we have identified tangible and intangible resources provided by the impact sourcing organization.

Slavova et al. (2012) discuss weaknesses of the Capability Approach for ICT intervention, arguing that there is very limited practical use of the Capability Approach for ICT-related projects. This study attempts to practically implement Sen's Capability Approach to assess the impact of impact sourcing. The Capability Approach has also been criticized for being overly focused on the individual (Gore 1997; Stewart 2005), yet Madon and Sharanappa (2013) use the framework to discuss community impact along with individual capabilities while measuring a social outsourcing initiative. In this research, although we focus particularly on individual impacts, we can see aspects of wider community impact, for example, when discussing contradictory social conversion factors, such as family support and restrictions from family. We observe the gradual community transformation of cultural acceptance of women working in offices, yet other evidence also hints at the reluctance or limitation in transformation of these gender-based norms. For instance, women are still expected to complete their household responsibilities, as well as now taking on a productive role (Moser 1993) and the choices they have (or make) regarding further career development (such as moving to a city job) may be constrained by these cultural gender-based norms. It is a glimpse of impact sourcing's impact on the community but consideration of wider level impact of impact sourcing on community or institutions is a future research agenda.

Robeyns (2005) identifies three categories of conversion factors: personal, social, and environmental when putting the Capability Approach into operation. During data analysis, we identified some novel conversion factors, for example, image and importance of ICT and fear of technology, unavailability of technology, and so forth, which could not fit appropriately in any one of these pre-defined categories. We group these factors under an independent new category of technology conversion factors. This addition of technology conversion factors in the Capability Approach is another contribution of this study towards customizing it with technology.

6.7 Limitations and future work

A number of limitations need to be acknowledged. In this study output capabilities are defined on aggregate level – not all participants have all capabilities mentioned. Hence, the capabilities set includes all possible and achieved capabilities that the particular impact sourcing organization may enable for marginalized outsourcing employees. There were two reasons to aggregate all capabilities. First, it is unfeasible here to discuss them on an individual level for each respondent; second, our research objective is to evaluate the social development impact of an outsourcing service provider overall when practicing impact sourcing. Discussion of potential capabilities and achieved capabilities separately are not a point of consideration in this chapter, but would be future research work.

This study attempts to provide initial findings which cannot be broadly generalized. There is a need for more research in different contexts to assess the social development potential of impact sourcing providers. Impact sourcing is a global phenomenon: different country contexts and types of outsourcing service provider should be researched to enrich the theoretical findings.

Until now, impact sourcing research is focused on poor communities and rural areas. As we initially have discussed, people may be marginalized because of many other factors, for example, employment opportunities, income, religion, education. Future research work is needed to explore other dimensions of marginalization in different populations to bring richer variety to the findings.

Lastly, our study findings mainly reflect positive aspects. More in-depth case studies and ethnographic research of outsourcing service providers are necessary to highlight deeper challenging impacts. Future work will focus on detailed ethnographic data collection and extended fieldwork in the outsourcing centers to add deeper insight into the impact and capabilities, to unravel further the meanings and aspects of "empowerment" and agency (Kabeer 1999) affecting achieved functionings or capabilities, and the more transformational impact that may lead to sustainable development for these communities.

Note

1. http://www.harva.co.in/
   http://articles.economictimes.indiatimes.com/2010–08–04/news/27617594_1_rural-bpos-business-process-outsourcing-harva
   http://www.indiatogether.org/2010/may/wom-bpojobs.htm

References

Accenture (2012). "Exploring the Value Proposition for Impact Sourcing – The Buyer's Perspective." Rockefeller Foundation.

Accenture (2013). "Recruitment, Training, and Impact Measurement: A Recommended Approach for Impact Sourcing." Rockefeller Foundation.

Alkire, S. (2005). *Valuing Freedoms: Sen's Capability Approach and Poverty Reduction*. New York: Oxford University Press.

Avasant (2012). "Incentives and Opportunities for Scaling the 'Impact Sourcing' Sector." Rockefeller Foundation.

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

Bazeley, P., and Jackson, K. (2013). *Qualitative data analysis with NVivo.* UK: Sage Publications Limited.

Beaumont, N., and Sohal, A. (2004). Outsourcing in Australia. *International Journal of Operations and Production Management,* 24(7): 688–700.

Benbasat, I., Goldstein, D. K., and Mead, M. (1987). "The Case Research Strategy in Studies of Information Systems." *MIS Quarterly*, 369–386.

Bhattacharya, C., Korschun, D., and Sen, S. (2009). "Strengthening Stakeholder–Company Relationships through Mutually Beneficial Corporate Social Responsibility Initiatives." *Journal of Business Ethics,* 85(2): 257–272.

Carmel, E., Lacity, M. C., and Doty, A. (2013). "The Impact of Impact Sourcing: Framing a Research Agenda." *4th International Conference on the Outsourcing of Information Services*. Mannheim, Germany: ICIOS Mannheim 2013.

Carmel, E., Lacity, M. C. and Doty, A. (2014). "The Impact of Impact Sourcing: Framing a Research Agenda.'' In *Information Systems Outsourcing: Towards Sustainable Business Value,* A. Heinzl and J. Dibbern (eds.). 4th ed. Berlin/Heidelberg: Springer.

Cassell, C., and Symon, G. (2004). *Essential Guide to Qualitative Methods in Organizational Research*. London: Sage Publications.

Cecchini, S., and Scott, C. (2003). "Can Information and Communications Technology Applications Contribute to Poverty Reduction? Lessons from Rural India." *Information Technology for Development,* 10(2): 73–84.

Chakravarti, U. (1993). "Conceptualising Brahmanical Patriarchy in Early India: Gender, Caste, Class and State." *Economic and Political Weekly*, 579–585.

Falck, O., and Heblich, S. (2007). "Corporate Social Responsibility: Doing Well by Doing Good." *Business Horizons,* 50(3): 247–254.

Fan, S., Hazell, P., and Thorat, S. (2000). "Government Spending, Growth and Poverty in Rural India." *American Journal of Agricultural Economics,* 82(4): 1038–1051.

Gore, C. (1997). "Irreducibly Social Goods and the Informational Basis of Amartya Sen's Capability Approach" *Journal of International Development,* 9(2): 235–250.

Heeks, R., and Arun, S. (2010). "Social Outsourcing as a Development Tool: The Impact of Outsourcing IT Services to Women's Social Enterprises in Kerala" *Journal of International Development,* 22: 441–454.

Kabeer, N. (1999). "Resources, Agency, Achievements: Reflections on the Measurement of Women's Empowerment." *Development and Change,* 30(3): 435–464.

Lacity, M. C., Khan, S., Yan, A., and Willcocks, L. P. (2010). "A Review of the IT Outsourcing Empirical Literature and Future Research Directions." *Journal of Information Technology,* 25(4): 395–433.

Lacity, M. C., Solomon, S., Yan, A., and Willcocks, L. P. (2011). "Business Process Outsourcing Studies: A Critical Review and Research Directions." *Journal of Information Technology,* 26(4): 221–258.

Lacity, M. C., Willcocks, L. P., and Rottman, J. W. (2008). "Global Outsourcing of Back Office Services: Lessons, Trends, and Enduring Challenges." *Strategic Outsourcing: An International Journal,* 1(1): 13–34.

Lincoln, Y. S., and Guba, E. G. (1985). *Naturalistic Inquiry*. London: Sage.

Madon, S., and Sharanappa, S. (2013). "Social IT Outsourcing and Development: Theorising the Linkage." *Information Systems Journal,* 23: 381–399.

Miles, M. B., and Huberman, A. M. (1994). *Qualitative Data Analysis: An Expanded Sourcebook*: London: Sage.

Monitor (2011). "Job Creation through Building the Field of Impact Sourcing." The Rockefeller Foundation.

Moser, C. (1993). *Gender Planning and Development*: London: Routledge.

Nussbaum, M. C. (2011). *Creating Capabilities: The Human Development Approach*. Cambridge, MA: Harvard University Press.

OECD-DAC (2002). "Glossary of Key Terms in Evaluation and Result Based Management." Available at: http://www.oecd.org/development/peer-reviews/2754804.pdf (Accessed on June 14, 2013.)

Prahalad, C. K. (2009). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* (5 ed.). Upper Saddle River, NJ: FT Press.

Robeyns, I. (2005). "The Capability Approach: A Theoretical Survey." *Journal of Human Development,* 6(1): 93–117.

Sen, A. (1988). "The Concept of Development." *Handbook of Development Economics,* 1: 9–26.

Sen, A. (1999). *Development as Freedom*. Oxford: Oxford University Press.

Sen, A. K. (2009). *The Idea of Justice*l. Cambridge: Harvard University Press.

Silverman, D. (2006). *Interpreting Qualitative Data: Methods for Analyzing Talk, Text and Interaction*. London: Sage.

Slavova, M., Venter, E., and Baduza, G. (2012). "Towards Applications of Capability Sensitive Design of Technologies." *Development,* 18(1).

Stewart, F. (2005). "Groups and Capabilities." *Journal of Human Development,* 6(2): 185–204.

Walby, S. (1989). "Theorising Patriarchy." *Sociology,* 23(2): 213–234.

Walsham, G. (2006). "Doing Interpretive Research." *European Journal of Information Systems,* 15(3): 320–330.

7
Competition and Wage Effects in the Global Online Market for Microwork and Services Outsourcing

Niels Beerepoot and Bart Lambregts

7.1 Introduction

Today, the competitive effects of globalization are no longer felt only at the level of the nation or the firm, but also directly by members of the labor force themselves. Technological developments facilitating outsourcing and offshoring of service activities gradually turn the world into a level playing field in which anyone can compete for work with anyone else regardless of his or her location (Friedman 2005). As a result, new, previously sheltered groups, particularly in Western labor markets, are now increasingly susceptible to direct competition from not only their domestic but also their international peers. If offshoring in the 1970s and 1980s mostly affected low-skilled blue-collar workers, many in the West are now expressing alarm that in today's age of cheap telecommunications and declining barriers to distance, people in low-cost economies such as India can perform almost any job – whether high- or low-skilled – for a fraction of the wages in the West (Levy 2005). The critical divide in the future may be between types of work that are or are not easily deliverable through a wire (or wireless) and no longer between jobs that do or do not require high levels of education (Blinder 2006).

According to Freeman (2008), modern technology and global capitalist business practices have the potential to create the first truly global labor market. The frontrunners in this are the global online job marketplaces for freelance workers such as Freelancer, GURU, and Upwork (previously oDesk and Elance). Online job marketplaces first emerged in the early 2000s and since then have multiplied in number, enlarged their spatial and occupational scope and have become used by increasing numbers of buyers and sellers of labor (*The Economist* 2013; World Bank 2015). On such online platforms everyone with a computer and access to the internet can offer his or her digitally transmittable services. Financial compensation rests mainly on the principles of supply and demand.

One can view these global job marketplaces as constituting a critical driver in the further expansion of the service outsourcing sector. They are a clear demonstration of Levy's claim that declining barriers to distance inexorably lead to the emergence of global labor markets in particular skills (Levy 2005). Importantly, whereas hitherto the larger multinational companies mainly drove the internationalization of service production, these online marketplaces make the outsourcing and offshoring of work much easier for smaller companies and individuals.

While there is a rapidly expanding body of literature available on outsourcing services (Bunyaratavej et al. 2011; Dossani and Kenney 2007, 2009; Feakins 2009; Massini and Miozzo 2012; UNCTAD 2005; Lambregts et al. 2016), the emergence of global online job marketplaces has only just started to draw (scholarly) attention (see e.g. Fort et al. 2011; Horton 2011; Ipeirotis 2010; World Bank 2013, 2015). In this chapter we examine a hitherto little-studied question, namely, how competition manifests itself in such marketplaces. In particular, we investigate how this new type of marketplace affects wage differentials between places and how users of such platforms react to the new competitive environment created. With respect to the former, various authors have raised the issue of how international wage differentials may narrow when skill markets globalize and Western workers have to compete with an expanding pool of lower waged but increasingly skilled workers from developing countries (see Brown et al. 2008a; D'Costa 2011; Levy 2005; World Bank 2007). Currently, we can consider global online job market websites as being among *the* venues where, in its most direct form, global competition among individuals from different countries takes place. These venues create low-friction e-commerce environments in which all transactions take place in English; payments are made in one currency; interactions are standardized through templates; the impacts of national labor laws are neutralized; and transport charges or taxes are nothing to worry about (Gefen and Carmel 2008). Platforms such as offered by Upwork or Freelancer confront Western workers for the first time with direct international competition: contractors can see who else has applied for a job and for what price the successful bidder eventually carried out the work. Global online job marketplaces provide an ideal microcosm in which to study whether, via labor arbitrage, wage levels converge when a labor market globalizes. We use data obtained from one such marketplace – oDesk[1] – to examine how competition takes place within this microcosm of a global labor market. We provide a comparative analysis of the relative wage levels of contractors from the United States, United Kingdom, India and the Philippines, and examine whether convergence takes place in the wage levels and the rewards for skills and expertise between contractors from Western countries and developing countries. We complement this quantitative analysis with a qualitative account of the expressed reactions of oDesk users to the new competitive environment in which they operate.

The chapter is structured as follows. First, we position the emergence of online marketplaces for services outsourcing in the broader outsourcing services literature and argue how it intensifies global labor arbitrage. We then explain the research methodology and discuss the phenomenon of global job marketplaces in more detail, and explore how the users of these marketplaces experience the competition. Next, we examine how global marketplaces reward expertise and experience and ask whether they lead to a global convergence between contractors in different parts of the world. The chapter ends with conclusions and suggestions for further research.

7.2 Towards a global labor market for service work

7.2.1 Outsourcing, offshoring, and the emergence of global online job marketplaces

The emergence of global online job marketplaces for small-scale, digitally transmittable services is part of the global trend towards outsourcing and offshoring of services production. Outsourcing refers to a firm's decision to buy products or services previously produced internally from another (domestic or offshore) company. Offshoring, in turn, refers to a domestic company obtaining services from a foreign-based entity, be that a subsidiary (captive or international insourcing) or a third-party service provider (offshore outsourcing) (Massini and Miozzo 2012). Global sourcing has enlarged the competitive arena for a wide variety of service activities, ranging from low-skilled functions such as data entry, word processing, and call-center operations to higher-skilled activities such as software development, consultancy, medical services, and R&D (World Bank 2007).

Research on and debates about the offshore outsourcing of services are still predominately from a (Western) firm-based perspective. Much research has focused on the activities outsourced by large corporations and their motives to do so (which usually relate to labor arbitrage or a global search for skilled workers) or on generalized labor market impacts (see Bunyaratavej et al. 2011; Dossani and Kenney 2007, 2009). A smaller number of studies have looked into workers' engagement with outsourcing services. These studies are mainly about how well-educated workers in (some) developing countries reap benefits from the new employment opportunities provided by either local or foreign offshore service firms, or about the threat the global sourcing trend entails for service workers in advanced economies (Beerepoot and Hendriks 2013).

The various other organizational structures or architectures that developed to support the global provision of service activities have so far received much less attention (Bryson 2007). This includes offshore outsourcing by SMEs and self-employed economic agents (Di Gregorio et al. 2009) and certainly the more recent phenomenon of online outsourcing, which refers to the outsourcing of small and very small services tasks to freelancers and microworkers via online marketplaces or platforms.[2] Such disregard is becoming increasingly less expedient as the increasing opportunities for these smaller actors to be involved in outsourcing services, both as providers (clients) and as receivers (contractors) of work, have the potential both to trigger a "second wave" in outsourcing services offshore and to reconfigure the way the industry is organized (Wagstaff 2012). Online job marketplaces increase the tradability of small- and very small–scale services and may come to mean for outsourcing services what the transition from mass production to flexible specialization meant for industrial production some decades ago (cf. Scott 1988). If the trend continues, such online platforms could render the mediating role of many established business process-outsourcing companies redundant and effectively cut them out of the value chain (Vanham 2012). Moreover, in addition to replacing existing outsourcing arrangements, we can also expect online outsourcing and microwork to expand the market for services because tasks that are currently not cost-effective may become so when transformed into microwork (Lehdonvirta and Ernkvist 2011; World Bank 2015).

The emergence of such new models of global sourcing calls for a need to comprehend the new ethical complexities associated with international business reorganization (Hollinshead et al. 2011). Large-scale digitization of service production and the unbundling of service value chains have enabled firms to view individuals and locations as calculable, marginal, and substitutable in the performance of this work (Howcroft and Richardson 2012). The dominant outcome, currently, is the production of such services tending to move from high- to low-wage countries. Education dynamics play an important role in this process. The spread of higher education and modern technology to low-wage countries gradually reduces advanced countries' comparative advantage in knowledge-intensive service production (Freeman 2008). It has made highly skilled work, from computer programming to radiography and accountancy, susceptible to offshoring. It also creates downward pressure on the incomes of skilled workers in advanced economies and some upward pressure on incomes in emerging economies (Brown et al. 2008b). The contention that displaced and otherwise adversely affected workers in advanced economies ought to respond to the challenge by upgrading to higher value-added jobs is consequently an increasingly problematic one (Levy 2005), especially given that the global expansion of tertiary education has now come to outstrip the demand for such highly skilled workers (Brown et al. 2008b). It is little wonder that the sense of opportunity felt in "the South" is inversely proportional to the despair experienced by workers in "the North"– two geographically differentiated outcomes of the same neo-liberal hegemonic discourse (Taylor and Bain 2008).

7.2.2 Labor arbitrage in global labor markets

Service outsourcing and offshoring thus redefines how competition takes place at the global level and leads to a geographical redistribution of chances and opportunities. Labor arbitrage is a central concept in service outsourcing and offshoring and in the formation of a global labor market. It refers to the savings an organization may make by hiring labor in a location where it is cheaper than domestically (Hollinshead et al. 2011). As summarized by Ohmae (2000: 64, op. cit.; Brown et al. 2008b): Arbitrage simply means the playing off of one supplier against another, to continually bring the price of goods and services down, and the quality up – not through control or negotiating, but simply through choice. If you are dissatisfied with the old sources of supply, you eliminate the difficulties by finding new partners that operate in a less fettered way.

When labor arbitrage is the main driving force behind offshore (micro) sourcing, the relationship between the clients (job suppliers) and the contractors (job takers) is inherently asymmetric and the ethical premise binding these parties open to question (Hollinshead et al. 2011). In this context, it is noted, the emergence of global labor markets for specific skill groups eventually reduces the bargaining power of all workers in relation to their employers (Levy 2005). While it is true that global online job marketplaces create earning opportunities for a larger number of workers (contractors), they simultaneously produce an almost ideal environment for clients to practice labor arbitrage at minimal costs. Global online job marketplaces enable clients virtually to bypass most, if not all, factors such as labor market regulations, wage agreements, and levels of accumulated wealth and prosperity that over time have been responsible for the production and reproduction of wage differentials among countries and among regions within countries.[3] On platforms such as Upwork, clients can find and select the most attractive contractor for a job at minimal search and transaction costs, making it very easy for them to play contractors off against one another. With an abundance of qualified contractors vying for jobs, in the absence of minimum wage agreements (on some platforms),and with contractors not or poorly organized, downward pressure on wage levels is inevitably high. This is especially so given that many contractors live and work in poorer parts of the world where the purchasing power of a dollar is relatively high. Under conditions of fierce competition, such contractors should be assumed to be willing to accept wages that are in line with local wage levels, which poses a serious challenge to contractors who live and work in the more prosperous parts of the world where the same dollar buys much less. With rapidly improving educational standards in many developing countries, contractors around the world become increasingly capable of delivering similar levels of quality. Assuming that clients behave rationally when selecting contractors, we can therefore expect wage levels and the rewarding of skills to converge between contractors from the more prosperous parts of the world and their peers from the less prosperous parts, with the downward pressure on wages earned by people in prosperous countries probably higher than the upward pressure on the wages of those in the less prosperous ones.

Therefore, whereas the emergence of global markets for service production helps to enlarge markets and to create earning opportunities for increasingly large numbers of workers, their incomes may not necessarily grow and individual workers may even experience income decline (Lehdonvirta and Ernkvist 2011). This would suggest that human capital is losing its capacity as a source of competitive advantage because the "positional" advantage of those with higher education and skills today is declining not only domestically (as access to higher education expands) but globally as well. It is an illustration of the application of the law of diminishing returns to human capital, especially under conditions of globalization (Brown et al. 2008a).

7.3 Research methodology

As noted, in this chapter we investigate how competition manifests in a global online job marketplace. We compare the relative wage levels of contractors from selected countries and examine if, and to what extent, convergence takes place in the wage levels between contractors from Western and developing countries. In addition, we investigate the rewards of expertise and experience under conditions of global labor market competition. To see if skill levels matter in these, we analyze both high- and low-skilled segments of the global marketplace. Data for the analysis are derived from the global job marketplace oDesk (short for Online Desk). As noted, since we collected our data (May 2012) oDesk has merged with Elance and in May 2015 rebranded as Upwork. At that time, freelancers and agencies, free of charge, could post their profile on the oDesk website showing their expertise and the types of jobs they are seeking. A profile of experienced contractors typically contained information on the number of jobs they had carried out, the financial compensation per job, their preferred salary, client reviews, samples of work, and the type of work for which they were looking. In addition, workers could take both cognitive and technical skills tests via oDesk, such as a call center skills test, a customer service test, an English spelling test, an HTML 4.01 test, and an Adobe Framemaker Eight test. The contractors' profile pages listed the number of tests taken and their performance scores, and then were freely accessible to anyone visiting the site.

In May 2012, around 360,000 individual contractors and 87,000 agencies were present on oDesk. The website allowed for the selection of contractors by job category or by skills. In addition, to select their contractors, employers could access work reviews, hourly rates, numbers of hours worked, location, or tests taken. For this study, we only gathered data from individual contractors (so disregarded firms). We chose contractors belonging to the job category of web development to represent the high-skilled segment, and contractors belonging to the job category of administrative support to represent the lower-skilled segment. Web development requires specific technical skills and knowledge of specific software programs, while administrative support only requires more generally available communication and administrative skills. The two activities reflect a key differentiation within the service outsourcing sector, namely between more knowledge-intensive IT work and less knowledge-intensive business process outsourcing (BPO). They also tend to come with different levels of financial compensation. Another reason for selecting these two categories is that in terms of contractor numbers they are the biggest within their respective groups. This means that (a) both can be considered highly competitive market segments (important because we take them as miniatures for a globally competitive labor market); and (b) our analysis is controlled for the level of competitiveness between the two categories.

For each category, we randomly selected contractors from the United States, the United Kingdom, India, and the Philippines (see Convergence in a global labor market below). The United States and United Kingdom (together with Canada and Australia) are the main suppliers of work and the most prominent Western suppliers of contractors (Elance-oDesk 2014; World Bank 2015). India and the Philippines in turn were the largest suppliers of contractors on oDesk (Karpie 2013; Elance-oDesk 2014). Indians dominated in web development and Filipino contractors led the pack in administrative support work. We randomly selected contractors from these countries who (in May 2012) had worked at least 100 hours via oDesk. From their profile pages we collected information on their desired wage, the average wage they received in their last three jobs, the number of hours they had worked, the number of jobs they had carried out, their period of registration, and their performance rating. With a total sample of 925 contractors, using SPSS we were statistically able to analyze international wage differentials and the rewarding of skills and experience. In addition, to get a feel for how workers and job suppliers perceive competition and make use of asymmetrical relationships in this global online job marketplace, we followed the conversations on the discussion boards of contractors and employers and analyzed the job advertisements placed on oDesk.

7.4 Global marketplaces for freelance workers and manifestations of competition

Online marketplaces exist in various forms and come with different geographical scopes. They range from local odd-job sites where one can hire a plumber or gardener, to global search platforms where one can look for a JAVA specialist, translator, or app maker. The global market for online marketplaces is still highly volatile with regular mergers and acquisitions and new start-ups trying to enter the market. The online global job marketplace oDesk has existed since 2004 and in 2012 was one of the largest globally oriented labor-contracting websites for electronic work. Other websites that work according to the same principles, offer the same kinds of work, and are global in scope are GURU, Elance, and Freelancer. What the platforms all have in common is that most of the work offers come from within advanced economies and the bulk of the contractors come from developing countries.

A typical job advertisement on oDesk would contain a job description, skills and qualification requirements, an estimate of the number of hours needed, a work history of the client, feedback by contractors on earlier jobs, and a price indication. Contractors would apply for the job via a reverse auction in which the number of applicants and the prices so far offered for the job would be visible. Once having secured the contract, the client could keep track of the contractor's hours worked through software provided by the website. Payments (made via Paypal or credit card) would be overseen by oDesk. Contractors would get 90% of the agreed remuneration and oDesk retained 10%.

To acquire work via online platforms involves search and transaction costs. This is because the contractors need to check the website regularly for new jobs, make bids, and, if they tentatively secure a job, negotiate their terms with the client. On the oDesk forum, starting contractors regularly complained about how difficult it is to get the first job. Discussions on the forum reveal how new contractors sometimes accept a job with limited financial compensation for no other reason than to obtain a good performance rating. A higher performance score also increases the visibility of a contractor on the website. Clients take advantage of this by specifically offering jobs to new contractors, but with limited compensation. Together these characteristics lead to the observation that a platform like oDesk provides employment opportunities but requires substantial investments by freelancers as well.

The geographical distribution of contractors resembles the main international patterns in services outsourcing (cf. Lambregts et al. 2016). The Philippines offers numerous contractors in voice-based and standard BPO activities (for example, customer services, administrative work, data entry) while South Asia (India, Pakistan) and Eastern Europe (Ukraine, Russia) are among the main providers of software and web development activities (see also World Bank

2015). Filipino contractors worked the largest number of hours while Indian ones earn the most money on oDesk (*The Economist* 2013; Goyal 2012; Elance-oDesk, 2014).

One can label the vast majority of work offered as routine. Remuneration offered for this kind of work is often low or based on a commission. Examples of these include search engine optimization (activities to improve the visibility of a website in search engines), data entry, or delivering a certain quantity of Twitter followers or Facebook likes. Less noble work, such as the collection of email addresses for online campaigns or thesis writing, is on offer as well. The reverse auction system used on oDesk puts downward pressure on the financial compensation offered. Before a minimum rate of $3.00 per hour was introduced (in late 2014), it was quite common to find jobs advertised on oDesk with a total compensation of, for instance, only $4 or an hourly rate of just $0.50. Examples of such extremely low paid, exploitative job offers are:

- Business appointment setters: get a $25 commission for every resulting sale (100% commission only, no base salary);
- I need someone to review an e-Book that I authored and provide positive feedback and written review on Amazon. Remuneration offered: $6;
- Total pay for 20 hours is $5 (not per hour). You will need to be online during UK office hours;
- I need the articles within 24 hours after you are hired. You will be paid $10 once all 10 articles are APPROVED. Failure to comply means termination of contract with 1 star feedback.

Even contractors in countries like India or the Philippines must have considered such terms and remuneration tantamount to (self) exploitation. Yet contractors accepted these terms, which illustrates just how asymmetrical the relationship is between suppliers and contractors in marketplaces like oDesk. This relationship and the (self) exploitative transactions evolving from it can exist because of the newness of the entire phenomenon and the virtual absence of regulation or monitoring of these transactions. Work carried out via global online platforms occurs in a vacuum of national and international labor regulations and has yet to attract the attention of international organizations or NGOs pursuing decent work.

In 2012, the difference in what contractors from different regions across the world are willing to accept as remuneration for their services was a subject of frequent and fierce discussion on the oDesk community board. As a United Kingdom contractor for instance noted:

> I've complained to oDesk about the site being overrun with amateurs who will work all week for a bag of rice. It's lowering the bar for us professionals.

> Any moron with a Dell and a clip art CD can get on here and claim they're a "graphic designer." What's ruining things here is that the employers seem so naive. They know the price of everything, and the value of nothing. Me? I have a 4-year degree, and owned an ad agency for 16 years. I know what things cost, and it's about value, not price. I cost more rice but you'll get gravy with that.'

The quote also reveals the role of clients: apparently, not all clients are willing to pay a premium for Western contractors if cheaper options are available. The skills tests and customer satisfaction ratings on oDesk enabled clients to select contractors and make hiring decisions on more than just the price alone. Analysis of job advertisements reveals that some new clients expect maximum effort for minimum price. Elsewhere (*The Economist* 2013), it has been noted how successful contractors manage to increase their hourly rate over time. This illustrates that clients are willing to pay a premium for reliability and quality delivered. Fierce competition, however, makes it hard for contractors to earn such credentials and many are likely to give up and drop out before they reach that stage.

In addition to attempts to tempt contractors into what one might consider exploitative labor transactions, discrimination based on nationality and/or gender is another unpleasant feature of online job marketplaces such as oDesk. Job postings as below were easy to find:

- This job is not for people from Bangladesh and Pakistan and your bid would be rejected automatically if you are from any one of the mentioned countries.
- Business to Business appointment setters needed: with previous calling experience Filipinos are preferred.
- The client has requested they want a FEMALE Caller with a British or Australian or New Zealand accent working on the campaign. MEANING UNLESS YOU ARE FEMALE AND UNLESS YOU ARE A KIWI, AN AUSSIE OR BRITISH, DO NOT APPLY!!!!

Obviously, discrimination can thrive thanks to the regulatory vacuum in which labor transactions on oDesk took place. Much regulation governing "traditional" labor markets aims to ban exactly this kind of disagreeable behavior. oDesk meanwhile has sought to mitigate excesses by giving its users the opportunity to flag clients or contractors behaving badly (different from the job-performance rating system), with suspension from the platform being the penalty for the worst offenders.

That it is rarely economic for clients to scrutinize the often dozens or even hundreds of applications received in response to a job offer, especially if it concerns a small job with little remuneration, further impairs the fairness of the recruitment process. Quite a few hiring decisions therefore will be based on imperfect information, with contractors asking for higher rates (even when deservedly so based on experience or skill) likely getting the worst of it.

7.5 Convergence in a global labor market?

Global online job marketplaces such as oDesk provide an ideal microcosm for studying whether, via labor arbitrage, wage levels converge when a labor market globalizes. Here we statistically analyze whether or not wages of contractors from different countries converge and assess how clients reward skills and experience. We analyze a relatively high-skilled job category (web development) and a relatively low-skilled job category (administrative support).

Table 7.1 shows the distribution of the 925 cases between the four countries. We randomly selected the contractors from the United States, India, and the Philippines, but listed all the UK-based ones. Western European contractors are generally underrepresented on oDesk. It was impossible to avoid a gender-bias in the selection of contractors: male contractors are overrepresented in web development while the same goes for female contractors in administrative support.

7.5.1 Wage comparison and convergence

Contractors may carry out jobs for a fixed price or ask for an hourly compensation. In both job categories, the latter is the most usual mode. Table 7.2 displays the average requested and average received wages. Web developers receive about twice as much per hour as those offering administrative support. Web developers from all four selected countries receive about 76% of their requested wage (based on their last three jobs). The same goes for contractors

Table 7.1 Sampled contractors from oDesk

	United States (N= 250)	**United Kingdom (N=175)**	**India (N= 250)**	**Philippines (N=250)**
Web development				
Male	86	94	108	99
Female	39	0	17	26
Total	125	94	125	125
Administrative support				
Male	25	23	73	23
Female	100	58	52	102
Total	125	81	125	125

Table 7.2 Requested and received wage of sampled contractors

	United States (N= 250)	United Kingdom (N=175)	India (N= 250)	Philippines (N=250)
Web development				
Average requested hourly rate	$35.11	$31.17	$14.08	$11.46
Average hourly rate	$26.66	$23.60	$10.72	$8.83
Ratio average wage/ requested wage	75.9%	75.7%	76.1%	77.0%
Relative wages compared to US contractors	–	1.18	5.23	3.88
Administrative support				
Average requested hourly rate	$13.99	$15.68	$8.83	$4.71
Average hourly rate	$10.35	$12.18	$6.24	$3.11
Ratio average wage/ requested wage	74.0%	77.7%	70.6%	66.0%
Relative wages compared to US contractors	–	1.58	7.84	3.52

from the United States and the United Kingdom in the category of administrative support, but non-Western contractors only receive two-thirds of their requested wage. Within this category, contractors from the United Kingdom and the United States often carry out tasks that require native English speakers (their primary skill-based advantage). Non-Western contractors generally take the lower-end jobs, such as data entry activities. Apparently, for these kinds of jobs it is harder for contractors to hold onto their requested hourly rates. Tough competition may play a role in the explanation, but the question then becomes why similarly high levels of competition in web development among South Asians do not keep Indian web developers from realizing a similar received-to-requested-wage ratio as their Western and East Asian peers.

Table 7.2 also shows that Western contractors earn more than non-Western ones. Our data do not allow us to analyze if the absolute wage levels of contractors from different countries converge over time. However, an alternative way to measure convergence is to look at relative wages and assess whether non-Western contractors benefit from a skill premium compared with Western contractors. To this end, we calculated the average wage as a function of the GDP per capita (based on Purchasing Power Parity) in which the United States provides the reference for international comparison.[4] Here, a skill premium indicates a higher reward for contractors with certain skills relative to similar contractors in the United States with the same skills. Table 7.2 clearly demonstrates that Indian and Philippine contractors receive much higher relative compensation than Western ones. From the oDesk discussion board one might derive that workers receive too little pay for outsourced services in developing countries and that a new form of sweatshop production is emerging. Our analysis, however, suggests that *experienced* contractors from developing countries (especially those in long-term relationships with their clients) can manage to secure very decent hourly rates, certainly in relative terms. However, as noted above, it takes a substantial amount of effort for contractors to get their first jobs, improve their performance ratings, and become experienced contractors.

7.5.2 Rewarding skills and experience

In traditional labor markets, there is usually a strong and positive correlation between remuneration and a worker's skill level and experience. Often the relationship is even formally institutionalized (as in collective labor agreements that stipulate yearly wage increases as a reward for increased experience, or different entry salaries based on a worker's educational attainments). How does one reward skills (as in the number of skills listed and the number of tests taken) and experience (number of hours worked and jobs completed) in a highly flexible, unregulated, globally competitive labor market? After all, under any market conditions, skills and experience are a contractor's key assets and, aside from negotiation skills, *the* assets contractors can capitalize on to receive higher remuneration.

In this analysis we again differentiate between Western and non-Western contractors and between the two job categories to see if and how rewards for skill and experience differ. Table 7.3 provides the correlations among four indicators of skill and experience and the average wage level (based on contractors' last three jobs). A weak spot in this analysis is that the contractors' self-assessments and not an objective measurement determine the number of skills listed (at oDesk contractors can pick skills from a long list and add them to their profile). The average number of skills listed by contractors did not differ much among the countries.

For the whole sample of contractors, we found no significant correlations between skill and experience on the one hand and financial compensation on the other. Skill and experience do not automatically translate into higher remuneration in the globally competitive labor market presented by oDesk. However, we found moderately positive correlations for some specific subgroups. The number of hours worked and jobs carried out do translate into higher financial compensation for Indian and Filipino web developers. This is a more highly skilled job category in which, compared with administrative support, contractors can sometimes show samples of their work to illustrate their capacities. Reputation effects (through positive reviews and number of

Table 7.3 Correlations between skills, experience and average wage of contractors (with between brackets the level of significance)

	Total sample	United States	United Kingdom	India	Philippines
Total sample					
Experience					
Number of hours worked	–0.039 (0.231)	0.097 (0.126)	–0.024 (0.754)	–0.072 (0.256)	0.134 (0.034)
Number of jobs carried out	0.016 (0.619)	0.096 (0.130)	–0.017 (0.819)	0.016 (0.804)	0.206 (0.001)
Skills					
Number of skills listed	0.075 (0.023)	0.206 (0.01)	0.01 (0.992)	0.071 (0.256)	0.242 (0.000)
Number of tests taken	–0.090 (0.006)	–0.113 (0.078)	–0.093 (0.223)	–0.113 (0.076)	–0.107 (0.092)
Web development					
Number of hours worked	0.151 (0.001)	0.202 (0.024)	–0.032 (0.764)	0.348 (0.000)	0.280 (0.002)
Number of jobs carried out	0.052 (0.260)	0.173 (0.054)	0.041 (0.697)	0.147 (0.101)	0.165 (0.065)
Number of skills listed	0.108 (0.020)	0.329 (0.000)	–0.171 (0.103)	0.277 (0.002)	0.269 (0.002)
Number of tests taken	–0.003 (0.955)	0.077 (0.394)	–0.096 (0.361)	0.137 (0.130)	–0.129 (0.152)
Administrative support					
Number of hours worked	–0.104 (0.026)	0.030 (0.739)	–0.098 (0.386)	0.007 (0.935)	0.269 (0.002)
Number of jobs carried out	0.034 (0.463)	–0.015 (0.871)	–0.005 (0.966)	0.075 (0.403)	0.341 (0.000)
Number of skills listed	–0.018 (0.704)	0.054 (0.554)	0.341 (0.002)	–0.014 (0.875)	0.182 (0.043)
Number of tests taken	0.014 (0.765)	–0.139 (0.127)	0.227 (0.042)	–0.101 (0.261)	0.267 (0.003)

jobs completed) are more critical in this category and provide an opportunity to benefit from rehiring. Filipino contractors offering administrative support services comprised another subgroup for which we found moderately positive correlations. The fact that many clients prefer Filipinos for this kind of work (as derived from their job advertisements) makes it harder for other groups to compete in this sector and so gives Filipino contractors a chance to capitalize on their skills and experience. Apart from these, however, the most remarkable feature of Table 7.3 remains the overall lack of significant correlations between skills and experience on the one hand and financial compensation on the other. This means that many contractors find it difficult to capitalize on their accumulated skills and experience in their line of work. The finding reflects the experience of the UK contractor quoted above. It probably has its key causes in the abundant supply on the one hand of cheap yet sufficiently skilled entrants to the market who are willing and – helped by the reverse auction system – able to undercut prices in order to build up a portfolio. Then, of course, there are the sparing clients on the other hand who are willing to pay only for the skills and experience they really need. The distinctive characteristics of a marketplace such as oDesk – with its global reach and direct online interface – typically enable and facilitate both factors.

Another possible and more specific explanation for the low correlation between particularly UK but also US contractors involved in administrative support could be that many of the people who work via oDesk do not see it as a full-time job (judging from the number of hours they tend to have worked since their registration). As one US-based contractor involved in administrative support services expressed on the oDesk discussion board, "I use oDesk as a filler for my schedule, Elance for large projects, and the others if I'm bored." Such half-hearted use of the platform makes it hard for these contractors to build up longer-term relationships with clients and benefit from (potentially more rewarding) rehiring.

7.6 Conclusion

In this chapter we have looked into the workings of the latest form of international service sourcing, namely a global online job marketplace. As these platforms are a relatively new and not yet widely known phenomenon, we have a limited understanding of their potential. Our analysis of one such global platform reveals that currently it primarily acts as a marketplace in which Western clients source work to contractors from developing countries, usually small jobs that are poorly remunerated. However, if in the course of time clients and contractors become more familiar with the concept, turn into routinized users, and manage to establish "virtual" pools or networks of trusted contacts, it is conceivable that these platforms will also become a source for larger jobs. This may then lead to a reconfiguration of today's industry for outsourcing and offshoring services, which despite its global and mobile nature is also still very formal and office based. A key advantage of online freelancing and microsourcing, or trading small-scale services, is that it creates the possibility of cutting out the intermediaries in global services production networks. It directly provides employment opportunities to those, mainly in developing but also in advanced economies, who have little access to (or prefer to operate outside) formally organized or firm-based (offshore) services production. This applies to a hitherto under-utilized pool of well-educated people who live outside the main urban areas in the developing countries that so far have played host to the offshore services industry, and it also applies to workers for whom access to regular, office-based work is limited because of discriminatory recruitment policies or restrictions imposed by culture, religion, or the family situation (World Bank 2015). It can even apply to those in advanced economies who have been cut off from the formal (services) production process by the outsourcing and offshoring trend in the first place.

We also investigated whether global online marketplaces (which we conceived as miniatures of a global labor market) display evidence of wage convergence among different countries across the globe. Our statistical analysis (on oDesk) of the wages of US, UK, Indian and Filipino contractors indicated that Western contractors receive the highest absolute wages but that contractors from developing countries receive the highest relative wages. The latter thus benefit from a skills premium which we can take as evidence of a certain degree of convergence taking place.

Our examination also found that various imperfections prevent labor-contracting websites from functioning as faultless global skills markets in which skills and experience rather than country of origin, gender, or other factors determine job remuneration. With only moderately positive correlations for some groups of contractors in the sample, expertise and experience appear hardly to result in higher wages. The large number of contractors vying for jobs and the ease of entry put a downward pressure on remuneration for all and make it difficult for many to build up experience on the platform itself. Yet contractors who do put effort into getting jobs on the platform and benefit from being rehired can earn relatively good wages. Discriminatory recruitment practices, which the absence of regulation makes possible, further hamper fair competition on the platform. Despite these imperfections, some of which are already being addressed, platforms like oDesk are, for the first time, directly confronting Western workers with competition from equally skilled contractors from developing countries. The effect of this should not be underestimated and may have a larger impact than the actual amount of work done, which is still just a fraction of the total outsourcing market.

Various issues present themselves for further research. One relates to the nature and organization of the work done via online platforms such as oDesk: are jobs becoming bigger and perhaps more complex, and do we see the emergence of virtual pools or networks of contractors capable of handling bigger and more complicated jobs in direct competition with the regular outsourcing and offshoring of industry? A second one concerns the question of how people shape their transactions in such virtual global arenas. How, for instance, do negotiations take place and how is price-setting done? What are the motives and expectations of the parties concerned and what strategies do they adopt? A third issue concerns the wider potential and possible impact of this development, especially in developing countries but also in advanced ones where the prolonged economic slump is forcing more and more people to engage in alternative modes of income generation. Research could explore the overlap with impact sourcing (Heeks 2013; Madon and Sharanappa 2013; Sandeep and Ravishankar 2015; World Bank

2015) and identify the complementarity of both models in spreading the gains of online work. Finally, and on a more practical note, one might also raise the question of how long online freelancing can continue in its current unregulated form. At some point both clients and contractors will probably start calling for better protection of their interests; also, governments are likely to develop an interest in regulating online cross-border work. This will present a challenge to labor lawyers and their like, but it will also signal the "normalization" of what is still very much a frontier mode of organizing work.

Acknowledgments

The authors would like to acknowledge the support of the Netherlands Organization for Scientific Research (NWO) whose award (grant number W 01.65.329.00) funded this research.

Notes

An earlier version of this chapter was published in *Global Networks*, 15(2): 236–255.

1. oDesk, founded in 2004, merged with Elance in 2014 to form Elance-oDesk. In May 2015 Elance-oDesk was rebranded as Upwork. Data for this paper was collected in 2012, when oDesk was still oDesk. Hence, in this paper we use "oDesk" in any reference to our data and the data collection process.
2. The World Bank (2015) gives a clear description of the difference between online freelancing via platforms such as Upwork and Freelancer, and microwork or microsourcing via platforms such as Mechanical Turk and Crowdflower, with the key distinction being the size and the complexity of the jobs' outsources (with online freelancing entailing more sizable and complex work).
3. For India, these are Mumbai, Delhi, Bangalore, Hyderabad, Ahmedabad and Chennai, and for the Philippines, they are Metro Manila and Cebu City.
4. The calculation involves average wage Indian worker/GDP per capita based on PPP India/average wage US worker/GDP per capita based on PPP USA.

References

Beerepoot, N., and Hendriks, M. (2013). "Employability of Offshore Service Sector Workers in the Philippines: Opportunities for Upward Labour Mobility or Dead-End Jobs?" *Work, Employment and Society*, 27(5): 823–841, doi: 10.1177/0950017012469065.

Blinder, A. (2006). "Offshoring: The Next Industrial Revolution?" *Foreign Affairs*, 85(2):113–128, available at www.foreignaffairs.com/articles/61514/alan-s-blinder/offshoring-the-next-industrial-revolution.

Brown, P., Lauder, H., and Ashton, D. (2008a). "Education, Globalisation and the Future of the Knowledge Economy." *European Educational Research Journal*, 7(2): 131–156, doi: 10.2304/eerj.2008.7.2.131.

Brown, P., H. Lauder and D. Ashton (2008b). *Towards a High-Skilled, Low-Waged Workforce? A Review of Global Trends in Education, Employment and the Labour Market.* ESRC Centre on Skills, Knowledge and Organisational Performance (SKOPE), monograph no. 10, October, available at www.cardiff.ac.uk/socsi/research/researchcentres/skope/publications/monographs/Monograph%2010%20Final.pdf.

Bryson, J. (2007). "The Second Global Shift: The Offshoring or Global Sourcing of Corporate Services and the Rise of Distanciated Emotional Labour". *Geografiska Annaler: Series B, Human Geography*, 89(S1): 31–43, doi: 10.1111/j.1468–0467.2007.00258.x.

Bunyaratavej, K., Doh, J., Hahn, Lewin, A., and Massini, S. (2011). "Conceptual Issues in Service Offshoring Research: A Multidisciplinary Review", *Group and Organization Management*, 36 (1), 70–102, doi: 10.1177/1059601110390996.

D'Costa, A. (2011). "Geography, Uneven Development and Distributive Justice: The Political Economy of IT Growth in India." *Cambridge Journal of Regions, Economy and Society*, 4(2): 237–251, doi: 10.1093/cjres/rsr003.

Di Gregorio, D., Musteen, M., and Thomas, D. (2009). "Offshore Outsourcing as Source of International Competitiveness for SMEs." *Journal of International Business Studies*, 40(6): 969–988, doi: 10.1057/jibs.2008.90.

Dossani, R. and Kenney, M. (2007). "The Next Wave of Globalization: Relocating Service Provision to India." *World Development*, 35(5), 772–791, doi: 10.1016/j.worlddev.2006.09.014.

Dossani, R. and M. Kenney (2009). "Service Provision for the Global Economy: The Evolving Indian Experience." *Review of Policy Research*, 26(1–2): 77–104, doi: 10.1111/j.1541–13 38.2008.00370.x.

The Economist (2013). "Online Labour Exchanges: The Workforce in the Cloud." *The Economist*, June 1, available at: www.economist.com/news/business/21578658-talent-exchanges-web- are-starting-transform-world-work-workforce.

Elance-oDesk (2014). "Annual Impact Report." Available at http://try.odesk.com/annual-impact-report/ [accessed on 30–04–2015].

Feakins, M. (2009). "Offshoring in the Core: Russian Software Firms Onshoring in the USA." *Global Networks*, 9(1): 1–19, doi: 10.1111/j.1471–0374.2009.00239.x.

Fort, K., Adda, G., and Bretonnel Cohen, K. (2011). "Amazon Mechanical Turk: Gold Mine or Coal Mine?." *Computational Linguistics,* 37(2): 413–420.

Freeman, R. (2008). "The New Global Labor Market." *Focus*, 26(1): 1–6, available at: www.irp.wisc.edu/publications/focus/pdfs/foc261a.pdf.

Friedman, T. (2005). *The World Is Flat: A Brief History of the Twenty-First Century*. New York: Farrar, Straus & Giroux.

Gefen, D., and Carmel, E. (2008). "Is the World Really Flat? A Look at Offshoring at an Online Programming Marketplace." *MIS Quarterly*, 32(2): 367–384.

Goyal, M. (2012). "oDesk to Be the World's Largest Online Workplace." *Economic Times of India*, July 9, available at: http://economictimes.indiatimes.com/opinion/interviews/odesk-to-be-worlds-largest-onlineworkplace-ceo-gary-swart/articleshow/14772648.cms?intenttarget=no.

Heeks, R. (2013). "Information Technology Impact Sourcing." *Communications of the ACM*, 56(12): 22–25.

Hollinshead, G., Capik, P., and Micek, G.(2011). "Beyond Offshore Outsourcing of Business Services." *Competition and Change*, 15(3): 171–176, doi: 10.1179/102452911X13046725211175.

Horton, J. (2011). "The Condition of the Turking Class: Are Online Employers Fair and Honest?" *Economics Letters*, 111(1): 10–12

Howcroft, D., and Richardson, H. (2012). "The Back Office Goes Global: Exploring Connections and Contradictions in Shared Service Centres." *Work, Employment and Society*, 26(1): 111–127, doi: 10.1177/0950017011426309.

Ipeirotis, P. (2010) "Analyzing the Amazon Mechanical Turk Marketplace", *Association for Computing Machinery XRDS,* 17 (2), 16–21.

Karpie, A. (2013). "oDesk Reports 2012 Gross Services Revenues of $360M; 60% Year-Over-Year Growth in Hours Worked/Billed." *Staffing Industry Analysts*, available at: www.staffingindustry.com/site/content/view/full/98486.

Lambregts, B., Beerepoot, N., and Kloosterman, R. (eds.) (2016). *The Local Impact of Globalization in South and Southeast Asia. Offshore Business Processes in Services Industries.* London and New York: Routledge.

Lehdonvirta, V., and Ernkvist, D. (2011). *Knowledge Map of the Virtual Economy: Converting the Virtual Economy into Development Potential.* Washington: IBRD.

Levy, D. (2005). "Offshoring in the New Global Political Economy." *Journal of Management Studies*, 42(3): 685–693, doi:10.1111/j.1467–6486.2005.00514.x.

Madon, S., and Sharanappa, S. (2013). "Social IT Outsourcing and Development: Theorising the Linkage." *Information Systems Journal*, 23: 381–399.

Massini, S., and Miozzo, M. (2012). "Outsourcing and Offshoring of Business Services: Challenges to Theory, Management and Geography of Innovation." *Regional Studies*, 46(9): 1219–1242, doi: 10.1080/00343404.2010.509128.

Ohmae, K. (2000). *The Invisible Continent: Four Strategic Imperatives of the New Economy.* London: Nicholas Brealey.

Sandeep, M., and Ravishankar, M. (2015). "Impact Sourcing Ventures and Local Communities: A Frame Alignment Perspective." *Information Systems Journal*, doi: 10.1111/isj.12057.

Scott, A. J. (1988). *Metropolis: From the Division of Labor to Urban Form*. Berkeley: University of California Press.

Taylor, P., and Bain, P. (2008). "United by a Common Language? Trade Union Responses in the UK and India to Call Centre Offshoring." *Antipode*, 40(1): 131–154, doi: 10.1111/j.1467–83 30.2008.00567.x.

UNCTAD (2005). *World Investment Report: The Shift towards Services*. New York: United Nations Conference on Trade and Development.

Vanham, P. (2012). "Virtual Working Takes Off in EMs", *The Financial Times*, May 23, available at: http://blogs.ft.com/beyond-brics/2012/05/23/virtual-working-takes-off-in-ems/#axzz23o 9a9TIh.

Wagstaff, J. (2012). "Global Army of Online Freelance Workers Remakes Outsourcing Industry." *Reuters*, October 10, available at: www.reuters.com/article/2012/10/10/us-asia-freelance-id USBRE8991MY20121010.

World Bank (2007). *Global Economic Prospects: Managing the Next Wave in Globalization*. Washington, DC: World Bank, available at: http://go.worldbank.org/VIXP7JK4M0.

World Bank (2013). *Connecting to Work: How Information and Communication Technologies Could Help Expand Employment Opportunities*. Washington, DC: The World Bank ICT Sector Unit.

World Bank (2015). *The Global Opportunity in Online Outsourcing*. Washington, DC: World Bank.

8
Impact Sourcing: Employing Prison Inmates to Perform Digitally Enabled Business Services

Mary C. Lacity, Joseph W. Rottman and Erran Carmel

8.1 Introduction

This chapter explores the practice of employing prisoners to perform business services for the public and private sectors. The International Centre for Prison Studies reports that there are 6,291,179 prisoners worldwide. The United States (US) has the greatest number of inmates with 2,193,789 prisoners and the highest incarceration rate at 737 inmates per 100,000 people compared to all other countries. Given that 95% of US inmates will one day be released and given that 70% of released inmates become repeat offenders (FPI 2012), any intervention that can help released inmates re-enter society successfully must have positive impacts on the individuals, their families and communities. Prison employment programs have been one such intervention method. In this chapter, we aim to study a special type of prison employment program: the hiring and training of prisoners to perform business services using a computer, otherwise known as "digitally enabled" business services (Carmel et al. 2013).

Able-bodied and able-minded inmates have always worked – at least in the United States – to defray the costs of corrections and to meaningfully occupy inmates. Most prison employment programs train workers in manual tasks, such as furniture building or textiles. But some prison employment programs now train inmates to perform low-level Business Process Outsourcing (BPO) services like call center work, data entry, and document preparation. For example, the all-female state prison at the Arizona State Prison Complex in Perryville, Arizona employs inmates through a private-sector partnership. Televerde, the private-sector partner, operates four call centers at the complex and external customers include Cisco, Hitachi, and SAP (Barret 2010). A number of other US private-sector partnerships offer call center services in Oregon, Michigan, New York, and South Carolina prisons.

Prison sourcing of business services is not just a US practice. In India, the BBC news announced that 200 prisoners in Charlapally Central Jail, near

Hyderabad, would work in an outsourcing unit performing data entry services. The inmates would be paid 100 rupees per day for this work compared to 15 rupees a day for manual labor (Farooq 2010). In the United Kingdom the Ministry of Justice is considering prison sourcing for call centers because the prisoners have "genuine British accents" (Firstpost 2012).

Prison sourcing is a substantial business. In US federal prisons, inmate employment is managed by Federal Prison Industries (FPI), also known as UNICOR, a wholly owned government corporation (public partnership) established in 1934. As can be seen in Table 8.1, annual revenues for all sourcing for US federal prisons exceeds USD 600 million. In addition, there are state prison industries. For example, California state prison sourcing in 2010 had revenues of USD 180 million. Table 8.1 also shows that "Services" – which includes the kind of digital services that is the focus of this paper – is (still) a small part of American prison sourcing.

Research on prison industry employment programs has found that inmate participation is associated with lower recidivism rates, higher rates of employment in halfway houses, and higher wages after release compared to inmates who were not in these programs (e.g., Conan 2010; James 2007; Saylor and Gaes 1997, 2001). However, we are not aware of any studies that specifically examine the effects of training and hiring inmates to perform digitally enabled business services. Our primary research question is:

> How does business services employment affect the inmates' current lives, family relationships, and future prospects?

We also want to understand the context surrounding business services employment in prisons. We want to know how inmates are selected for work, how they are trained and onboarded, and how their work is assigned, managed, and evaluated. We also want to learn which practices, processes, and technologies are used to protect information and guarantee quality.

Table 8.1 US Federated Prison Industries' revenues and profits (Source: FPI Annual Report 2013)

	2012		**2013**	
Business Segment	**Revenues**	**Profits**	**Revenues**	**Profits**
Clothing and Textiles	$215m	$20m	$236m	$37m
Electronics	$177m	($9m)	$128m	($4m)
Office Furniture	$161m	$12m	$118m	$4m
Recycling	$16m	$5m	$18m	$7m
Services	$37m	$3m	$33m	$3m
Total	***$606m***	***$31m***	***$533m***	***$46m***

To begin to answer our research questions, we conducted a case study at the Federal Correctional Institution (FCI) in Elkton, Ohio. At the UNICOR facility in the Elkton FCI, inmates process patent documents and perform data entry services. Based on key informant interviews with inmates and staff, direct and participant observation, and documents, we found evidence that prison sourcing of business services positively affects the inmates while they are in prison. We identified six benefits: business services employment offers the best financial compensation, develops business skills, develops work habits, productively occupies time, builds self-efficacy, and elevates social status. We did not gather enough evidence to make claims about the effects of prison sourcing for business services on family relationships or future job prospects. We suspect the main effects after release have more to do with developing a work habit than with gaining computer skills to perform digitally enabled services.

We believe this research makes an important contribution to society. Given the number of imprisoned people worldwide, any intervention that can help these individuals successfully complete their confinement and prepare them to reintegrate into society benefits not only the individuals, but their families, communities, and ultimately taxpayers. However, programs like UNICOR have come under attack by opponents who argue that prison industry programs hurt small businesses and steal jobs from law-abiding citizens (Carroll 2010; Gruber, 2005; Smith-Ingley and Cochran 1999; James 2007). Although the ethics of prison sourcing is not the focus of this paper, we do discuss these concerns.

The chapter is organized as follows. We summarize the relevant literature on prison intervention effectiveness in Section 2. In Section 3, we explain the research method. Section 4 provides a detailed case description of the prison, the UNICOR facility, and the business services performed by inmates. Section 5 focuses on the inmates' and staff's views on what they perceive as the effects of business services employment on inmates' current lives, family relationships, and future prospects. Section 6 discusses the case study findings, briefly covers the ethics of prison sourcing, and reflects on the limitations of the current research. Section 7 offers concluding remarks.

8.2 Literature review

> "Inmates who participate in the FPI program are less likely to engage in disruptive behavior, a benefit which contributes significantly to safe and secure management of prisons, thereby reducing operating costs. Additionally, inmates participating in the FPI programs are 24% less likely to return to a life of crime, resulting in reduced future enforcement and incarceration costs." FPI's 2012 Annual Report, p. 1

Prison employment program research describes the effects of prison employment on crime outcomes. This literature has studied the recidivism effects of prisoners who work while incarcerated, but none of the studies seems to examine prisoners performing digitally enabled services nor do they focus on the immediate effects of prison sourcing.

Within the fields of Criminology, Public Policy, Psychology, and Sociology, hundreds of studies have examined the effects of intervention programs on crime outcomes, often measured as recidivism rates. The most frequently examined adult intervention programs have been cognitive behavioral therapy, drug treatment programs, adult drug courts, intensive supervision, and job training in the community after release from prison. In comparison to this prolific body of research, fewer studies have been conducted on the effects of prison employment programs (Aos et al. 2006; Lipsey and Cullen 2007; Wilson et al. 2000). Some researchers have argued that the small number of prison employment studies are too methodologically weak to attribute the effects of prison employment intervention programs on recidivism (Lipsey and Cullen 2007; Richmond 2008). Despite these research limitations, our review of the literature found that prison employment programs are associated with lower recidivism rates of between 0% and 24% (see Table 8.2; note that all these studies are in the United States).

William Saylor and Gerald Gaes, who both have served as Director of Research for the Office of Research and Evaluation (US Bureau of Prisons), are among the most prolific researchers on the effects of correctional work/industries programs. Conducting research on thousands of inmates, they consistently found that participation in work programs was associated with better post-release adjustment, higher employment, more money earned, and lower first-year recidivism (Saylor and Gaes 1991, 1996, 1997, 2001; Gaes et al. 2004).

Aos et al. (2006) conducted a meta-analysis of 571 empirical articles on the effects of 54 intervention programs, prevention programs, and sentencing options. Aos et al. (2006) found four studies (Drake 2003; Maguire et al. 1988; Saylor and Gaes 1996; Smith et al. 2005) that examined the effects of correctional industries in adult prisons on post-prison-release crime outcomes. The authors found, across the four studies, correctional industries programs reduce crime outcomes by 5.9%. They also found that the marginal cost of the program per individual was $417 and produced net benefits of $9,439 per individual. Wilson et al. (2000) conducted a meta-analysis of 33 studies of education, vocation, and work programs on recidivism rates, of which four studies examined the effects of correctional industries programs (which four studies are not indicated). Overall, they found that recidivism rates for prisoners in the correctional work/industries programs was 40% compared to the 50% comparison group, an overall 10% reduction in recidivism rates.

Table 8.2 Prior studies on the effects of adult prison employment programs

Source	Method	Context	Findings
Aos et al. (2006)	Meta-analysis of 571 studies on the effects of intervention programs, prevention programs, and sentencing options	US adult and juvenile corrections	Across four studies of correctional industries programs, "crime outcomes" were reduced by 5.9%.
Federal Prison Industries Annual Report (2012)	Not explained	Federal US adult corrections	"Inmates participating in the FPI programs are 24% less likely to return to a life of crime."
Lipsey and Cullen (2007)	Meta-meta-analysis of meta-analyses on correctional rehabilitation programs	US adult and juvenile corrections	Reviewed four meta-analyses on adult educational, vocational, and work programs and found recidivism rates decreased by 1% to 10%.
Richmond (2008, 2012)	Ten-year study on recidivism on 19,456 female inmates from 1993 to 2003	Female UNICOR inmates (US)	No significant differences in re-arrest or recommitment to federal prison after correcting for pre-selection bias.
Saylor and Gaes (1991, 1992, 1996, 1997, 2001)	Analysis of archival records	Federal US adult corrections; >7000 prisoners	Participation in work programs was associated with better post-release adjustment, higher employment, more money earned, and lower first-year recidivism.
Wilson et al. (2000)	Meta-analysis of 33 studies on the effects of intervention programs	US adult corrections	Across four studies of correctional industries programs, recidivism rate was reduced by 10%.

Since our study is about sourcing digitally enabled business services, it is important to note that most of the empirical studies are dated prior to the FPI's business services group in the mid-2000s, thus none of these studies specifically address prison employment programs for this kind of work. Richmond (2012) is the newest research, yet her study was unable to differentiate the type of work women were doing in UNICOR. We did not find any prior studies that examined inmates who were performing digitally enabled services.

Furthermore, the scarce studies on prison employment programs only measure one type of outcome variable, namely, post-release recidivism, and do not consider more immediate effects on a prison's other missions such as safety, security, cost efficiency, engaging inmates in meaningful work, or inmate self-improvement (Gaes et al. 2004). A number of researchers have called for more assessments of immediate (i.e., process) measures of prison effectiveness because recidivism is affected by so many factors outside the control of a prison (Gaes et al. 2004; Logan 1993). These factors include prior criminal history, age, sex, education level, gang participation, police practices, supervision, and living in crime-prone neighborhoods (Gaes et al. 2004), to name a few. Thus, our research fills two gaps by focusing on digitally enabled services and by focusing on immediate effects on inmates' lives while in prison.

8.3 Research method

To investigate our research question, we selected a case study method because the boundaries between the phenomenon under study (the impact of prison sourcing on inmates) and its real-life context (prison life) are intertwined and not clearly defined (Yin 2003). A case study is also appropriate when seeking answers to "how" questions about contemporary events over which the researcher has little or no control (Yin 2003). The case study is best categorized as an explanatory case study that seeks to explain the causal links between an intervention (prison sourcing) and its effects (Yin 2003). A single case was selected for reasons of practicality; it took nearly two years of paperwork and processes to get permission to conduct this research. Evidence for the case study came from key informant interviews, direct and participant observation, and documents. The research site and each source of evidence are explained further below.

8.3.1 Research Site

As our research site we selected a prison called the Federal Correctional Institution (FCI) in Elkton, Ohio. This prison is a "low-security facility," which makes research access easier. Elkton was recommended to us by a previous FPI manager because this location offers business services. Inside the prison compound is a room dubbed "the factory" with about 150 computers where trained inmates provide business services to external customers. The vast majority of the prisoner work (97%) involves a multi-year project preparing patent documents for electronic publishing for the US Patent and Trademark

Office (USPTO). The USPTO contracted a for-profit firm, which, in turn, hired the for-profit government unit, UNICOR. We describe the work and the work process in more detail further below.

8.3.2 Key participant interviews

Our research questions are best answered by the key informants placed in organizational positions that provide access to the answers for the research questions under study (Elmendorf and Luloff 2006). This method maximizes the chances of collecting relevant information that the researchers may not have considered in advance (Tremblay 1957). Key participant interviews are appropriate when seeking answers to questions in which the subject matter is sensitive (like prison sourcing) and when researchers are more concerned with the quality, not quantity, of responses (Fontana and Frey 1994; Mahoney 1997; Yin 2003).

We designed two interview guides, one for the prison staff and one for the inmates. For staff participants, the guides have open-ended questions on their role at the prison, the history of the UNICOR business services at the facility, the nature of the work, the relationship with clients, and the process for selecting, training, and assessing inmate work performance. The inmate interview guide asked open-ended questions about how they came to be employed at UNICOR and the work they do. Both guides asked questions about how they think this work affects the inmates' lives in prison, their family relationships, and how it might affect their life after their release.

With a key participant method, the sample size is less relevant than targeting participants with full knowledge of the phenomenon under study, in this case the effects of prison sourcing of business services on the inmates' current and future lives (Creswell 1998; Ponterotto and Casas 1991; Seidler 1974). Prior to our arrival, our UNICOR host requested volunteers from among the inmates she manages at UNICOR. She also set up interviews with key staff members. For this study, we formally interviewed nine inmates who work for UNICOR, two UNICOR and three people from the Bureau of Prisons in senior staff positions (see Table 8.3).

The formal interviews occurred in fall of 2013 during a two-day visit to the prison. The formal interviews began with the administration of the Informed Consent Form and proceeded to the open-ended questions. The formal interviews with inmates lasted between 20 and 30 minutes; staff member interviews lasted between 30 and 45 minutes. All participants were guaranteed anonymity to promote open and frank discussions.

For the nine inmates interviewed, the years of service at Elkton's UNICOR facility ranged from six months to six years. Eight inmates presently work on patent document preparation and one inmate previously worked on patent document preparation but now manages data entry of electricity bills

Table 8.3 Key participant interviews

Identifier	**Organization**	**Role**	**Gender**
I1	Inmate	Employed in Patent Services	Male
I2	Inmate	Employed in Patent Services	Male
I3	Inmate	Employed in Patent Services	Male
I4	Inmate	Employed in Patent Services	Male
I5	Inmate	Employed in Patent Services	Male
I6	Inmate	Employed in Patent Services	Male
I7	Inmate	Employed in Patent Services	Male
I8	Inmate	Employed in Patent Services	Male
I9	Inmate	Employed in Data Services	Male
U1	UNICOR	Senior Staff	Female
U2	UNICOR	Senior Staff	Male
BOP1	Bureau of Prisons	Senior Staff	Female
BOP2	Bureau of Prisons	Senior Staff	Female
BOP3	Bureau of Prisons	Senior Staff	Male
Total: 14 Formal Key Informant Interviews			

for the US Department of Defense. Among the nine people, six were Black, two were White, and one was Hispanic. Six of the inmates we interviewed had prior manual labor UNICOR experience before coming to the Elkton prison, including heating, ventilation, and air conditioning (HVAC), cooking, forklift operation, construction, textiles, and furniture-making experiences. The average sentence duration was 16.2 years (five inmates responding). The average number of years remaining on the sentence was 5.7 years (five inmates responding).

8.3.3 Other data collection

In addition to the formal interviews, our UNICOR host arranged for us to tour the prison facility and to converse with UNICOR and Bureau of Prisons senior staff. We were also able to gather documents including the Inmate Information Handbook, Visitor's Guide, UNICOR's qualifying exam, employee grade scales, commissary order sheet, and annual reports from Federated Prison Industries.

Direct Observation. During the tour, we observed inmates in the yard, billiards hall, craft room, outdoor leisure area, and the gym. We also toured a housing unit where inmates sleep, shower, watch television, and type emails on a closed server for processing by staff. We toured the Warden's offices, commissary, inmate cafeteria, and kitchen. We also saw the basketball courts, track, and baseball fields which were unoccupied at the time. Our tour passed by several key areas such as the infirmary, solitary confinement, visitor's room, counseling center, and education center. Although we did not enter these areas, our tour guides explained the functions of each. We also spent extensive time (about six hours) in the UNICOR facility.

Participant Observation. With this method, researchers are not just passive observers but interact with people, including casual social interactions and informative conversations (Yin 2003). We interacted with staff members and with one additional inmate who allowed us to sit with him at his computer in the UNICOR facility. This inmate showed us the entire workflow for processing the patent documents, the error slips he fills out, the queries he sends, and the knowledge bases he consults to execute tasks. A UNICOR manager was with us for two days except when we were conducting formal interviews. She informed us about prison life and how UNICOR works. A BOP senior staff member served as one of our tour guides on the first day and explained all of the educational and training programs at the facility. The Acting Warden welcomed us to the facility and explained how corrections is "a people business." Another BOP leader gave us a tour of the kitchen and explained the training inmates receive in food safety and food preparation. We met the inmate who cooked a special meal for us in the staff cafeteria.

8.3.4 Data analysis

Recording devices are not allowed in prison, so the three researchers took extensive notes and captured revelatory direct quotations during interviews, conversations, and tours. Each night we wrote up our notes and discussed in depth what we observed and heard each day. We aimed to neutrally describe what we saw and heard first. Then we reflected on what this might mean. We are well aware of our positions as outsiders and were thus very cautious before ascribing meaning to evidence. We asked our UNICOR host to review the case description and discussion sections below to either confirm or challenge our interpretation (Dubé and Paré, 2003; Klein and Myers 1999).

8.4 Case description

The Elkton prison is a relatively new facility, built in 1997, and housed 2,555 male inmates in 2013 (see Figure 8.1). The location is about 500 kilometers west of New York City, in the eastern portion of the state of Ohio. The prison is divided into two units, the Federal Correctional Institution (FCI) and the Federal Satellite Low (FSL), which have populations of 1,963 and 592 respectively. The annual turnover rate is about 1,000 people. The FCI facility was our research site. It can only house inmates with remaining sentences of 20 years or less. The inmate population includes violent offenders, drug offenders, sex offenders, and some white-collar crime offenders. The FCI staff comprises about 350 people.

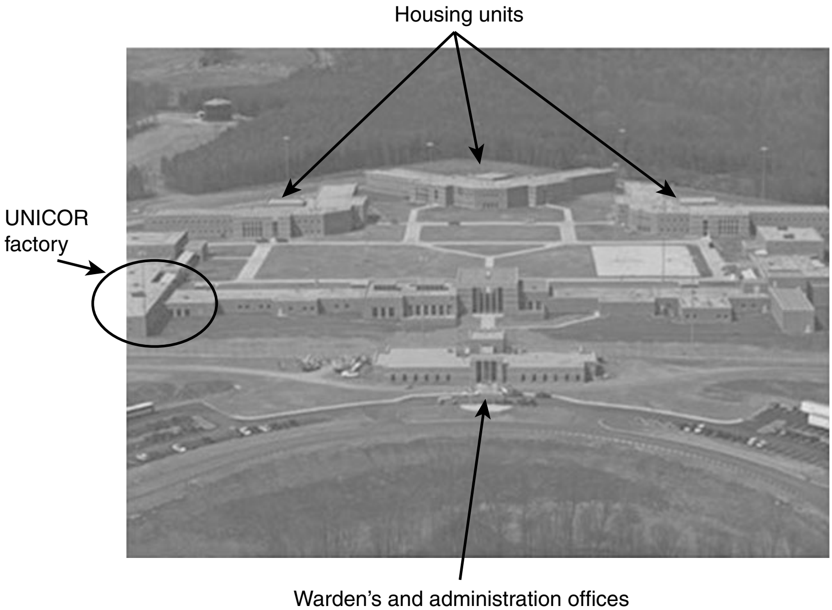


Figure 8.1 Research site at Elkton FCI

8.4.1 Description of the prison site

Direct observation, participant observation, and documents helped set the context for understanding how business services employment affects the lives of inmates. Overall, the prison was newer, cleaner, quieter, and more organized than the preconceived notions one might form based on books, movies, and television. The following observations stuck us as relevant:

The physical facilities and grounds are clean. The prison parking lot is newly paved and the exterior grounds, which are maintained by inmates, are immaculate. Inside the compound, all buildings and grounds are clean, orderly, and uncluttered. Inmates (identified by the tan-colored prison uniforms) were cleaning the grounds, washing windows, sweeping floors, doing dishes, and mopping public areas. The housing units were also clean. Each inmate is required to make his bed and keep his living area clean and free of clutter. Inmates keep personal possessions in a locker by their bed.

The prison is quiet. Boisterous behavior is against prison policy. Inmates may only listen to music or watch television with headsets and the volume cannot be heard by anyone except the person wearing the headset. For music, inmates may buy an MP3 player and individual songs from the commissary. Each MP3 player is assigned to a specific inmate to prevent theft. At the gym, for example, most men worked out on stationary bikes or treadmills while listening to music with their headsets. (Weightlifting is no longer allowed in US federal prisons.) Inmates can only watch television in their housing units using headsets. Because of the headsets, inmates can disengage from their surroundings. Even inmates who were interacting, such as playing billiards, dominos, and working on crafts, were talking quietly whenever we observed them. Inmates are allowed to move between buildings each hour during a ten-minute period. Even during these times, the inmates talked quietly and walked slowly. Inmates form single lines and stand in line quietly before meals.

The inmates and staff are polite. Everyone in prison is addressed formally, using "Mister," "Miss," or "Misses" prefixed to a last name. During our tour, the tour guides would often encounter inmates they knew and they would address each other formally. The staff also refer to one another formally, even those who work closely together each day, at least in our presence.

The prison staff members do not carry weapons. As a "low-security facility," the staff members at Elkton FCI do not carry weapons. The staff members mingle with the inmate population in all areas, and appear to do so fearlessly. However, the potential for danger is acknowledged. Prior to starting our tour, our tour guide showed us a tribute wall displaying portraits of staff members killed in the line of duty. (Not one of them was from the Elkton facility). She also told us that in the unlikely event a disruption occurs while on our tour, we were to follow her instructions. There are guards stationed in security rooms and a locked weapons room near the Warden's office.

The prison has many security measures. Two concentric, tall, electronically monitored fences with razor wire circumnavigate the prison. Concrete paths adjacent to the fences are several feet deep to prevent tunneling out of the facility. Two roaming vehicles and security cameras further monitor the perimeter. Head counts are conducted six times per day. Visitors are also closely monitored. Each person who enters the facility presents a photo ID, signs in, and goes through a security process similar to the procedure in US airports. Each person also walks through a body scanner. Visitors are stamped on the hand. Visitors may not bring in cell phones, recording devices, cameras, or any other electronic equipment.

Most inmates need income. Although the prison provides three meals, accommodations, clothing, and some supplies, inmates still need money for basic goods and services while in prison. For example, inmates pay for phone minutes, email credits, snacks, beverages, greeting cards, hair care products, laundry detergent, additional clothing, MP3 players, healthcare service copays, and other miscellaneous items. Sample prices include $8.80 for a book of stamps, $2.00 copay for a healthcare visit, $2.05 for a bottle of shampoo, $44.10 for an MP3 player with headphones, and $18.10 for sweatpants. Inmates are only allowed to buy items from the commissary (no outside items allowed) and there is a $290 spending maximum per inmate per month. The spending limit is designed to create financial parity among inmates. In addition to needing money for life maintenance within the prison, prisoners need money to pay court fines, victim restitution, and/or child support.

Inmate income comes either from family and friends or from wages earned while working in prison. Regarding the former, outsiders may fill inmate accounts through a national lockbox. Several inmates reported that supporting them in prison was a financial burden on their families. Regarding the latter, work-eligible inmates are required to have jobs inside the prison. Most job assignments are controlled through the prison's Performance Pay System which provides monetary payment for work. Typical institutional maintenance jobs, such as food service, landscaping, or cleaning are low-paying and wages start at 23 cents per hour (about $30 per month). In contrast, wages at the Federal Prison Industries (UNICOR) are significantly higher. Inmates working in the UNICOR facility typically earn $1.15 per hour. Because UNICOR pays the highest wages in the prison, its jobs are the most desirable and have the longest wait lists.

8.4.2 Description of UNICOR: workplace and work

The UNICOR workplace is inside the prison. Although called a factory by the people inside the prison, the work area is a large warehouse-like space with a high ceiling and open floor plan. Rows of long tables serve as work areas. The main door is locked and can only be opened by designated staff. Inmates enter and exit the UNICOR workplace by passing through a metal detector. Inmates may bring beverages inside the facility, but they cannot bring anything else – no papers, pencils, or pens. An individual work area has a computer monitor, keyboard, paper error forms, pencil, instruction manual, and coding index sheets that summarize the codes contained in the instruction manual. There are about 148 work areas in total.

Along the north side of the room is a row of UNICOR staff offices. Each staff office has a full view of the facility floor. Each office has two doors. The exterior door of each staff office opens to the facility and the interior door leads to the inner staff office area. Inmates are not allowed in the office area unless accompanied by a staff member. As far as computer security, inmates have their own log-on ID and password. They can only access the workflow software; they are unable to access other software or the Internet.

As far as the work schedule, the inmates work on weekdays from 7:10 a.m. until 3:20 p.m. and have two fifteen-minute breaks and 45 minutes for lunch. Inmates are responsible for showing up for work on time. Inmates must set their own alarm clocks, make their beds, clean their living areas, and be dressed and at the facility on time. Next, we describe the business services performed by the inmates.

The US Patent and Trademark Office outsources the electronic capture and publication of patents to a private IT contractor. The contractor is an American firm that we will call Beltway Inc. Beltway Inc. is contracted to digitize, tag, and electronically publish over 16 million historical patents. To help with this task, Beltway Inc. contracts with UNICOR to proofread and edit the formatting and tagging codes. Together, Beltway Inc. and UNICOR produce over 180,000 unique pages of published XML patent material per week. At the time of our visit the project was about halfway through the work, and the remaining eight million patents will require at least five more years to complete.

Beltway Inc. batches work at the beginning of each week and uploads it to a secure server. At the Elkton prison, the workflow happens in four steps: Processing, Senior Review, Quality Assurance, and Production Control (see Figure 8.2). At the Processing phase, an inmate logs into the system and can pull work from the work queue based on his qualifications. Newly hired inmates, for example, only work on simple patents. The workflow system will assign the inmate either (a) the abstract and claim or (b) the body of a patent. This way the inmate at the processing level only sees part of an entire patent document. On the inmate's screen, there are two display windows. The top window displays a read-only, scanned image of the portion of the patent assigned to the inmate.

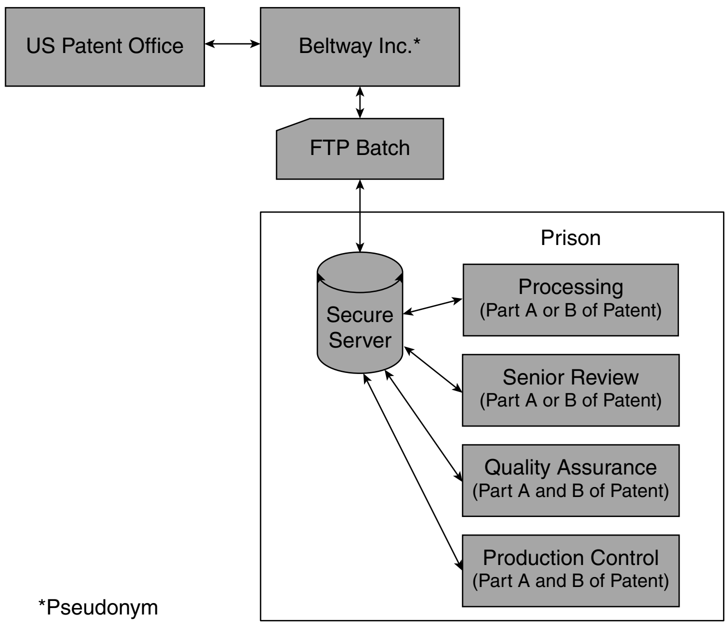


Figure 8.2 Document workflow

The bottom window is an editable work file that contains HTML- and XML-like codes to tag the document for electronic posting. The inmate has a number of tasks to complete, like making sure formatting commands are to specification and that content sections are properly tagged. In addition to fixing errors, inmates are also instructed to generate a query back to Beltway Inc. under specific circumstances. For example, if an inmate spots a missing period at the end of a paragraph, he generates a query to ask whether the document needs a period or if text was mistakenly deleted. The work is challenging in that there are hundreds of codes and rules to learn. Once the Processor is finished, he sends the completed work back to the workflow system.

Senior Review is the second phase. Only experienced workers perform this work. Inmates check the work performed at the Processing stage. When a Reviewer spots an error, he fixes the error online and fills in a handwritten error form to provide feedback to the Processor. Error reports also are used to calculate the Processor's error rate. Once the Reviewer is finished, he sends his completed work back to the workflow system.

The third step is Quality Assurance where a completed patent is brought together for the first time. The Quality Assurance person reviews the abstract, claim, and body for a patent. He duplicates the checks made by the Senior Reviewers. The Quality Assurance person also finds, fixes, and reports on errors. Once complete, he sends the job back to the work queue for the final phase, Production Control.

Production Control replicates the Quality Assurance Process and will, for the final time, find, fix, and report on any errors. After Production Control completes the task, the work goes back to the server. Once the batch of work is complete, it is transferred back to Beltway Inc.

Inmates may ask for help from a tutor during any stage in the process. Tutors are inmates with senior-level work experience. They roam the facility floor and help inmates as needed. Only people with good social skills want and get these jobs. The tutors do not get paid more for this work, but they can earn bonuses.

UNICOR is contractually required to complete a batch of work in a specified time period and to a specified level of quality. Each morning a UNICOR manager assesses progress on the batch and will reallocate labor as needed to complete the batch on time. If processing is behind, for example, a manager could reassign the more qualified Senior Reviewers, Quality Assurers, or Production Controllers to perform processing tasks. In some rare instances the only way to complete a batch on time is to work overtime. Inmates desire overtime because they can earn "time and a half" (150%) in wages.

UNICOR assigns each inmate a quota and an allowable error rate based on his grade level. The quotas are the minimum amount of characters an inmate must review in a day. (To give an indication of volume of work, we saw a

117-page document that represented half the work a Production Controller had to review in a day.) The quota increases and the error rate decreases as the grade levels get higher. Inmates are highly incented to improve productivity and quality in order to qualify for the next grade level because higher grade levels earn higher wages. But in order to keep costs down, UNICOR can only allow a certain number of inmates at each grade level.

Although the majority of work performed in the UNICOR workplace is patent document processing, a small percentage of work, representing about 2 or 3% of revenues, is data entry of the US Department of Defense's electricity bills. Inmates copy data from printed electricity bills into a spreadsheet that will be used to analyze energy consumption.

8.4.3 Elkton's UNICOR wait list and exclusions

The UNICOR job has the longest wait list in the prison, with 350 inmates signed up at the time of our visit. For the patent processing work, inmates can only apply if they have a high school diploma. UNICOR maintains four categories of wait lists. Category 0 is for inmates with fewer than 24 months left on their sentence. This is the lowest priority wait list because UNICOR's training is expensive and the inmate would not work for very long in the facility. Category 1 is the highest priority wait list and includes inmates with prior UNICOR experience. Prior UNICOR experience is desirable because the inmates have already received UNICOR training and understand its work ethic. Category 2 wait lists contain inmates who owe fines. This is a priority wait list because the government keeps half of the inmate's salary to help pay off their fines. At the Elkton prison, this category was the longest wait list with over 200 inmates. Category 3 contains all other inmates.

Inmates can only work at this UNICOR workplace if they have never been convicted of a computer-related crime. For example, if a sex offender downloaded child pornography from a website, that act would prohibit him from working at a UNICOR computer job. Some white-collar criminals would also be excluded from this work.

8.4.4 Testing and training

UNICOR trains people in groups. If UNICOR needs, say, 12 more workers, it will administer an eligibility exam to about 20 inmates. The exam assesses reading comprehension, logic, and algebraic math skills. Those who pass the exam then receive four weeks of classroom training. The inmates learn basic keyboarding and computer skills in addition to learning the actual tasks associated with editing patent documents. After classroom training, an inmate shadows an experienced inmate for two weeks. When training is complete, the inmate begins working as a Processor.

8.5 Effects of prison sourcing on inmates

In this section we present the inmates' perceptions of the effects of UNICOR's business services employment on their current lives, family relationships, and future prospects. The primary input was the key participant interviews with nine inmates employed in the UNICOR facility. Interview data on the perceived benefits of working for Elkton's UNICOR facility are summarized in Table 8.4. Below we discuss each perceived benefit in more detail. Where relevant, we also include commentary from the formal interviews with three BPO leaders.

8.5.1 Provides the best financial compensation in the prison

All nine inmates said the reason they wanted to work for UNICOR was because of the higher wages. Compared to the prison's institutional maintenance jobs that earn about $30 a month in wages, UNICOR employees can earn several hundred dollars a month. The financial benefits clearly provide a positive effect for their lives in prison. Specific supporting quotes from the interviews include: "This job helps with money," "I like the extra money to buy stuff," "We need a lot of money," "It costs us money to be here," and "This pays the most." Four inmates specifically said that the financial compensation prevents them from being a burden on their family. One person said that his mother used to send him $100 a month which placed a great drain on her financial resources, so he is relieved to be financially self-sufficient now. He said, "My Mom doesn't have to send me money anymore." Another person said, "I don't

Table 8.4 Inmates' perceived effects of business services employment

Perceived Benefits	Perceived positive effect on prison life	Perceived positive effect on family relationships	Perceived positive effect on future prospects	Number of inmates out of 9 mentioning this effect
Provides best financial compensation	✓	✓		9
Develops business skills	✓		✓	7
Develops a work habit	✓	✓	✓	6
Productively occupies time	✓			6
Builds self-efficacy	✓			6
Elevates social status	✓	✓		4

have to ask my family for money." None of the inmates said anything that tied financial compensation from this job to future job prospects.

8.5.2 Develops business skills

Seven of the inmates mentioned that the UNICOR job builds valuable business skills. Across the interviews, inmates specifically mentioned management, business, people, computer, and political skills. One inmate discussed at length the skills he has learned about running a business, dealing with people, dealing with politics, and learning computer skills. He explained that when he was an "independent businessman" prior to prison, he would ignore people who disagreed with or annoyed him. At UNICOR, he said he is "forced" to work with everyone. He said, "I used to be an independent businessman but I learned to become an interdependent businessman." He further explained that when he gets out of prison, he wants to buy, rehab, and sell old homes. To do that, he said, "I need to depend on other people." (He specifically said he did not want a computer job when released.) Seven inmates also understand that businesses expect employees to be productive and to do good work. They discussed the expectations in terms of quotas and allowable error rates. The inmates who work as tutors, in particular, seem to positively develop their people skills. One person said, "This job requires you to deal with all kinds of people." Another person said "I like helping the guys out."

Two inmates mentioned learning computer skills as a positive benefit, but these comments seemed to be related more to building self-efficacy (see below) rather than building valued job skills for the future.

8.5.3 Develops a work habit

The routine of this office job clearly develops the habit of work. The UNICOR job requires that the inmates arrive at work on time and that they complete a full day's work. Absenteeism is prohibited except in the case of illness verified by Health Services. The inmates did not use the term "work habit," but they did use phrases such as "having a routine," "getting up every day and doing the same thing," learning "responsibility," having a "structure," and "When I wake up I know I have a job." One of the younger inmates expounded on this idea: he said he was a drug dealer since the age of 12 and he never had a schedule before. He would wake up at a different time each day and had no idea what he would do that day. He said, "I guess I just did what I felt like." He talked about the revelation of learning that "normal" people do the same thing each day. He clearly expressed that a routine is a positive aspect of work. (He was not complaining of boredom.) The work habit benefited their current lives in prison. One inmate, for example, said that when he's at work, he doesn't feel like an inmate. Another said he likes workdays and he dreads the weekends.

8.5.4 Productively occupies time

The inmates we interviewed have long prison sentences, ranging from six to twenty-one years. The UNICOR job keeps inmates occupied during the day, helps time to pass quicker ("time goes by more quickly"; "I'm not bored"), and keeps them out of trouble in the housing units or in the "yard." They are highly cognizant of the fact that any disciplinary sanctions outside of the UNICOR facility could result in the loss of their UNICOR job. Once fired by UNICOR, an inmate can never return. Representative quotes include, "This job keeps me out of trouble," "It feels good to have something to lose," and "I don't want to lose this job." Occupying inmate time and keeping inmates out of trouble was only discussed in terms of positively affecting their lives in prison; no mention was made of its effects on family relationships or on future prospects. One staff member we interviewed, with 16 years of prison experience, confirmed that the inmates who work for UNICOR are better behaved. She said, "I never have problems" with the UNICOR inmates. She also said they come out of work "too tired to cause any trouble." Another staff member said that in order to continue working for UNICOR, the inmate must have "clean conduct" and "They have so much to lose if they lose their job."

8.5.5 Builds self-efficacy

Working at UNICOR builds the inmates' beliefs that they can perform tasks well. One inmate, for example, said he used to walk by the UNICOR facility, seeing the computers through the window, and say to himself, "I am not smart enough to do that." But as he got to know the people on his unit who worked for UNICOR, he said to himself, "If that fool can do it, I can do it!" He went on the UNICOR wait list and was eventually selected for testing and training. He now likes to boast about his computer skills. Another inmate relayed a similar story of thinking himself incapable of learning how to use a computer, but now he is proud of his work. High self-efficacy is associated with high self-esteem and more prosocial behaviors, such as helping others (Bandura et al. 2003; Judge et al. 2002). Other inmates talked about the positive feelings they have about themselves. One person said that the UNICOR job "makes me feel good." Another said that the job "makes me feel I am doing good." A third person said he feels good when the people in the facility tell him, "Thanks man, you helped me." A BOP staff member added that "They feel good that they accomplish things every day."

8.5.6 Elevates social status

Working at UNICOR gives the inmates status above the other inmates. Four inmates said that the non-UNICOR workers envy them because of their higher pay. One said, "My friends say, 'I wish I could get in.'" With their higher wages, UNICOR workers can outsource tasks to other inmates, like doing their laundry, making their beds, and cleaning their living spaces. This gives them status as well. One inmate said that the non-UNICOR inmates "think that we think we're better than them, but we don't think that." One person tied this benefit to relationships with family by saying his family is "proud" of the work he is doing. One of the BOP staff members added that inmates like to tell their children, "Daddy's at work."

8.5.7 Additional staff comments

One BOP staff member said that because UNICOR employment requires a high school diploma it motivates the other prisoners to earn a diploma while in prison. Perhaps one staff member summarized it best. She said UNICOR is "the most desirable job in the compound," "the most beautiful work environment," "the best pay," "it takes a burden off family," and "inmates can buy things they need like shoes and warm clothes." She concluded, "It's a gift to work at UNICOR."

8.5.8 Usefulness after prison

Interestingly, two of the inmates mentioned how this computer work will help them with future job prospects because it could be used as a job reference. We pressed the staff about this point in our follow-up interviews and learned that personal references by UNICOR or prison staff are forbidden and all staff is forbidden to keep in contact with inmates after they are released. UNICOR, as a company, does not write references for its workers – even those who have worked for UNICOR for many years. The prison, however, does allow inmates to use the standard Bureau of Prisons work performance reports. These reports could possibly be used by inmates as a proxy for a reference. We were not able to learn if released prisoners find this document useful as a tool to help them get a job.

8.6 Discussion

We sought answer to the question, "How does business services employment affect the inmates' current lives, family relationships, and future prospects?" We initially positioned this question at the intersection of impact sourcing and prison employment programs. We thought there might be something special about teaching prisoners to use a computer to perform business services. We did not find compelling evidence that the effects of digitally enabled business services are greater than the effects from other high-paying prison employment programs. The most compelling effects had to do with pay, work habits, general business skills, occupying time, and building self-esteem. The fact that the inmates learned to use computers for their jobs was not frequently mentioned as a perceived benefit. Only two inmates made specific comments tying computer efficacy with higher self-efficacy. The next sections reflect on the evidence and consider some research limitations.

8.6.1 Reflections on the findings

The nine inmates we interviewed reported significant positive benefits of their business services jobs on their current lives in prison. The main benefits identified are good financial compensation, work habit development, time productively occupied, business skills developed, elevated self-efficacy, and elevated social status. The BOP staff members corroborated these findings. Perhaps the most compelling evidence, however, is that 350 people are on the UNICOR wait list – by far the longest wait list at the Elkton prison. In contrast, some of the vocational programs have no wait lists. Clearly, inmates want the UNICOR jobs because they perceive they provide substantial benefits. But again, the benefits could apply to any higher-paying prison job. The development of business skills is interesting, particularly as it relates to productivity and quality, but again these are generic business skills relevant to any type of employment program.

In contrast to their present lives, the inmates spent very little time discussing the effects of their UNICOR jobs on their future business prospects. None of the inmates expressed a desire to find a job that uses computers after their release. Only one person discussed any concrete ideas for employment after release; he said he wanted to work in real estate. Furthermore, BOP staff could not comment on the effects of UNICOR employment upon future prospects because the prison does not track a person once he is released. The staff's only knowledge about released inmates comes anecdotally from other inmates who may keep in contact with them.

We also wanted to understand the context surrounding business services employment in prisons. As evidenced by the long wait lists, UNICOR jobs are the most desirable because they pay the highest wages. We learned how inmates are selected for work, how they are trained and onboarded, and how their work is assigned, managed, and evaluated. Inmates must have a high school diploma and no prior computer-related crimes. Inmates are wait listed and the highest priority goes to prior UNICOR workers. If inmates pass the entrance exam, they receive four weeks of classroom training and two weeks of work shadowing. Work is assigned based on experience and grade level to one of four stages of work – processing, senior review, quality assurance, and production control. Work is evaluated based on quotas and error rates. We also learned which practices, processes, and technologies are used to protect information and guarantee quality. Physical security measures ensure inmates do not bring in or remove items from the UNICOR facility. Technical security measures include unbundling of work and the inability to access any software other than the workflow software.

We note that the nine inmates were overwhelmingly positive about their work experiences at UNICOR. But, were inmates self-censoring? There is some evidence that they were. When asked the specific question, "What is the worst thing about this job?", five inmates did not really respond. Two people gave brief answers. One person said, "I can't buy books at the store anymore" which refers to a prison policy, not a UNICOR policy. Another person said, "waking up at 6:00 (is hard)." One person gave a longer answer to this question. He essentially said that UNICOR is supposed to be run as a business, but "employees" are still treated as "inmates." He also said that promotions to higher pay grades are based on "politics" rather than aptitude. He claimed inmates perform at higher pay grades by meeting those quotas and error rates but will often not get promoted for "political reasons." One most revealing comment came from an inmate who confessed that the non-UNICOR inmates call him a "slave." When asked to explain, he said that some inmates say that UNICOR inmates are earning money for the government and that "the government makes money off of prisoners." This comment provides a segue into an important discussion point: the controversy over prison sourcing.

8.6.2 The ethics and politics of prison sourcing

Prison sourcing has been criticized for decades – long before outsourcing of computerized business services was introduced. We speak only briefly to these arguments – on both sides – because this is not the focus of our paper.

The criticism of prison sourcing has two main thrusts. First, prison sourcing represents exploitation of labor (Rusche and Kirchheimer 1968; Weiss 2001). Thus, the government and for-profit organizations are benefiting at the expense of the prisoners. Second, prison sourcing represents cut-throat competition with the private sector. Opponents argue that prison industry programs hurt small businesses and steal jobs from law-abiding citizens (Carroll 2010; Gruber 2005; Rohrlich 2013; Smith-Ingley and Cochran 1999; James 2007). They argue that the US federal inmates working in prison factories earn extremely low wages ($0.23 to $1.15 an hour) and thus "legitimate" businesses cannot economically compete for work. As a result, a number of restrictive actions have been taken against UNICOR for unfair competition, particularly by apparel and furniture manufacturers.

The arguments for prison sourcing have two thrusts. Positive cash flow for society and positive impact on recidivism. First, the payment flow from prison work back into society is positive. The prisoners labor to pay for their needs, their family support, and to pay victims. For example, a 2011 California report asserts that the California Prison Industry Authority (CALPIA) provides economic benefit of $497 million (Harris et al. 2010). The second argument is the lower recidivism rate that these programs bring, as we discussed earlier in the paper. Again, an example from California: "beginning in FY 2007–08, CALPIA participants returned to prison, on average, 26 to 38 percent less often than offenders released from the ... general population." (CALPIA 2013).

8.6.3 Limitations of current research

This research has a number of limitations. Overall, the external validity of a single case study is weak and could be strengthened using replication logic to select additional cases (Yin 2003). We have recommended the types of additional cases to study in the future research section below.

Additionally, each specific data collection method used in the case study is also limited. Key participant interviews have two main drawbacks: participant bias and random error (Kumar et al. 1993; Marshall 1996). We do not know the extent to which the inmates we interviewed were biased and self-censoring. Furthermore, the inmates were not selected at random, but volunteers were solicited among the UNICOR workers. The inmates we formally interviewed only worked for UNICOR, so we have no control group of non-UNICOR inmates. Multiple participants per site increases the reliability and validity of findings (Seidler 1974) and assessing the extent to which participants' information is consistent can demonstrate reliability (Tremblay 1957). For this case we interviewed 14 key participants, of which nine were inmates. We heard consistent views on the value of the UNICOR business services jobs on inmates' lives in prison.

Direct observation also has limitations. Direct observation makes researchers rely on their perceptions rather than on the insights of members (Adler and Adler 1994). These limitations are best overcome by using multiple observers, supplementing direct observation with other data collection methods, and by writing in a verisimilar style that brings the reader close to the subject (Adler and Adler 1994). We used all of these research practices. There were three researchers; we supplemented direct observation with participant observation and key participant interviews; we attempted to relay what we observed without analyzing the observations in the case description section.

Finally, participant observation is limited by the "pretense problem" because the researchers disrupt normal behavior (Remenyi et al. 1998). Covert participant observation is the best way to overcome this limitation, but deception raises ethical issues (Oliver and Eales 2008) as well as practical issues (since none of us was willing to go to prison "undercover"). Participation also always takes the form of an exchange relation (Evans 2012). Researchers may feel they "owe" something to the members which can influence what researchers write. There is always a "political aspect" to qualitative data interpretation (Denzin 1994). In reflecting on this limitation, we did omit some observations because we considered it rude to our hosts. Overall, the use of multiple data collection methods was the main way we overcame the limitations of a particular data collection method.

8.7 Conclusion

> "We ask an awful lot of prisons. We ask them to correct the incorrigible, rehabilitate the wretched, deter the determined, restrain the dangerous, and punish the wicked. We ask them to take over where other institutions of society have failed and to reinforce norms that have been violated and rejected. We ask them to pursue so many different and often incompatible goals that they seem virtually doomed to fail. Moreover, when we lay upon prisons the utilitarian goals of rehabilitation, deterrence, and incapacitation, we ask them to achieve results primarily outside of prison, rather than inside. By focusing on external measures, we set up to be judged on matters well beyond their direct sphere of influence." – (Logan 1993: 23)

Current thinking in criminology suggests that prison intervention programs should be assessed based on immediate effects. Based on a single case study comprising key participant interviews with inmates and staff, direct and participant observation, and documents, we identified six immediate benefits: business services employment offers the best financial compensation, develops business skills, develops work habits, productively occupies time, builds self-efficacy, and elevates social status. All six of these benefits positively affect inmates' lives while in prison. There was some evidence that three benefits positively affected their lives with families: the best financial compensation, work habit development, and social status elevation. In comparison to the evidence gathered on the immediate effects while in prison, we found little evidence that business services employment affects future prospects.

In this chapter we have explored the impact of prison employment programs at one institution. While this has led to greater insight into the impacts of this facet of sourcing on the inmates involved, additional research is warranted. Using replication logic to increase external validity (Yin 2003), additional prison sourcing sites should be studied, particularly if a control group of non-UNICOR employed inmates could be used for comparison.

Future research might also explore other populations (like women and juveniles), locations outside the United States, and other sourcing models. Concerning the latter, we have surmised based on this case study that the fact that business services are digitally enabled does not seem highly relevant. But the model we studied isolates the inmates from the end customer. There is another model of digitally enabled services, namely, direct contact between the inmate and customer populations. At the Elkton prison inmates do not communicate with customers in any way. However, at call center sites, inmates not only talk with customers, but they must solve their customers' problems. We suspect that direct customer contact will likely produce additional benefits in addition to those we uncovered in this case. Finally, on the topic of non-US prison sourcing, comparisons of various interventions including employment, education and their impact on key dependent variables – especially recidivism – are important.

In conclusion, we found that prison employment had positive immediate effects on the inmates' lives while they were in prison. As far as long-term effects, we have very little evidence, but perhaps prison intervention program assessments should focus on immediate effects because so many long-term effects (like the effect on recidivism) are beyond a prison's control. While long-term effects could not be assessed in our study, we are still encouraged by one anecdotal comment and thus end with the words of an inmate who said, "This is my second trip. If I had this job in my first trip, I wouldn't be here again."

Note

The chapter was previously published in the *Communications of the AIS*, 34(51). Reprinted with permission of Springer Science+Business Media.

References

Adler, P., and Adler, P. (1994). "Observational Techniques." *Handbook of Qualitative Research*, Denzin and Lincoln, (eds.), Thousand Oaks, CA: Sage Publications, 377–393.

Aos, S., Miller, M., and Drake, E. (2006). *Evidence-Based Public Policy Options to Reduce Future Prison Construction, Criminal Justice Costs, and Crime Rates*, Olympia, WA: Washington State Institute for Public Policy.

Bandura, I., Caprara, G., Barbaranelli, C., Gerbino, M., and Pastorelli, C. (2003). "Role of Affective Self-Regulatory Efficacy in Diverse Spheres of Psychosocial Functioning." *Child Development*, 74(3): 769–782.

Barret, V. (2010). "Silicon Valley's Prison Call Center." *Forbes*, June 28.

CALPIA website. Accessed November 2013. http://pia.ca.gov/About_PIA/AboutPIA.aspx

Carmel, E., Lacity, M., and Doty, A., 2013. "The Impact of Impact Sourcing: Framing a Research Agenda." *4th International Conference on the Outsourcing of Information Services*, Mannheim, Germany.

Carroll, D. (2010). "Behind the Fences: UNICOR's Effect on Private Business." *Business Credit*, (112)3: 12–13.

Conan, N. (2010). "Inmates' Jobs, From Call Centers to Paint Mixing." *Talk of the Nation*, National Public Radio, broadcast, December 16.

Creswell, J. (1998). "Choosing Among Five Traditions." In *Qualitative Inquiry and Research Design*. Thousand Oaks, CA: Sage Publications.

Denzin, N. (1994). "The Art and Politics of Interpretation." In *Handbook of Qualitative Research*, Denzin and Lincoln (eds.). Thousand Oaks, CA: Sage Publications, 500–515.

Drake, E. (2003). *Class I Impacts: Work During Incarceration and Its Effects on Post-Prison Employment Patterns and Recidivism*. Olympia, CA: Washington State Department of Corrections.

Dubé, L., and Paré, G. (2003). "Rigor in IS Positivist Case Research: Current Practices, Trends, and Recommendations." *MIS Quarterly*, 27(4): 597–635.

Elmendorf, W., and Luloff, A. (2006). "Using Key Informant Interviews to Better Understand Open Space Conversation in a Developing Watershed." *Arboriculture & Urban Forestry*, 32(2): 54–61.

Evans, G. (2012). "Practicing Participant Observation: An Anthropologist's Account." *Journal of Organizational Ethnography*, 1(1): 96–106.

Farooq, O. (2010). "Outsourcing Unit to Be Set Up in Indian Jail." http://news.bbc.co.uk/2/hi/south_asia/8677486.stm

Federal Prison Industries (FPI). *Fiscal Year 2012 Annual Management Report*, November 15, 2012.

Firstpost (2012). "UK Prisoners to Challenge Outsourcing Jobs to India." Available at http://www.firstpost.com/world/uk-prisoners-to-challenge-outsourcing-jobs-to-india-414033.html?utm_source=ref_article

Fontana, A., and Frey, J. (1994). "Interviewing: The Art of Science." In *Handbook of Qualitative Research*, Denzin and Lincoln (eds.). Thousand Oaks, CA: Sage Publications, 361–376.

Gaes, G., Camp, S., Nelson, J., and Saylor, W. (2004). *Measuring Prison Performance: Government Privatization and Accountability.* Oxford: AltaMira Press.

Gruber, A. (2005). "Competing with Inmates." *Government Executive*, 37(12): 32–34.

Harris, T. R., Goldman, G. G., and Price, S. (2010). *The Economic Impact of the California Prison Industry Authority on the California Economy for FY 2008/09.* Published by CALPIA, December 2010.

James, N. (2007). "Federal Prison Industries." Congressional Research Service, Cornell University ILR School, available at http://digitalcommons.ilr.cornell.edu/key_workplace/309.

Judge, T., Erez, A., Bono, J., and Thoresen, C. (2002). "Are Measures of Self-Esteem, Neuroticism, Locus of Control, and Generalized Self-Efficacy Indicators of a Common Core Construct?" *Journal of Personality and Social Psychology*, 83(3): 693–710.

Klein, H., and Myers, M. (1999). "A Set of Principles for Evaluating Interpretive Field Studies in Information Systems." *MIS Quarterly*, 23(1): 67–94.

Kumar, N., Stern, L.W., and Anderson, J.C. (1993). "Conducting interorganizational research using key informants." *Academy of management journal* 36(6): 1633–1651.

Lipsey, M., and Cullen, F. (2007). "The Effectiveness of Correctional Rehabilitation: A Review of Systematic Reviews." *Annual Review of Law and Social Science*, 3: 297–320.

Logan, C. (1993). "Criminal Justice Performance Measures for Prison." In *Performance Measures for the Criminal Justice System*, L. Greenfield (ed.), Washington, DC: Bureau of Justice Statistics, 1–23.

Maguire, K. E., Flanagan, T. J., and Thornberry, T. P. (1988). "Prison Labor and Recidivism." *Journal of Quantitative Criminology*, 4(1): 3–18.

Mahoney, C. (1997). "Common Qualitative Techniques." In *User-Friendly Handbook for Mixed Method Evaluations*. Published by the Division of Research, Evaluation and Communication for the National Science Foundation, publication number NSF97–153, pp. 1–17.

Marshall, M. (1996). "The Key Informant Technique." *Family Practice*, 13(1): 92–97.

Oliver, J., and Eales, K. (2008). "Re-evaluating the Consequentionialist Perspective of Using Covert Participant Observation in Management Research." *Qualitative Market Research: An International Journal*, 11(3): 344–357.

Ponterotto, J., and Casas, M. (1991). *Handbook of Racial/Ethnic Minority Counseling Research*, Springfield, IL: Charles C. Thomas.

Remenyi, D., Williams, B., Money, A., and Swartz, E. (1998). *Doing Research in Business and Management*, Thousand Oaks, CA: Sage.

Richmond, K. (2008). "Factories within Fences: The Effect of Prison Industries on Female Inmates." *Proceedings of the American Society of Criminology.*

Richmond, K., (2012). "The Impact of Federal Prison Industries Employment on the Recidivism Outcomes of Female Inmates." *Justice Quarterly*, DOI:10.1080/07418825.2012.668924.

Rohrlich, J. (2013). "Will Your Job Be Reshored to a Federal Prisoner?" Available at http://www.minyanville.com/business-news/editors-pick/articles/Will-Your-Job-Be-Reshored-To/3/12/2013/id/48675.

Rusche, G., and Kirchheimer, O. (1968). *Punishment and Social Structure*. New York: Russell & Russell.

Saylor, W., and Gaes, G. (1991). *PREP Study Links UNICOR Work Experience with Successful Pos-Release Outcome*. Washington, DC: U.S. Bureau of Prisons.

Saylor, W., and Gaes, G., (1992). "The Post-Release Employment Project." *Federal Prisons Journal*, 2(4): 32–36.

Saylor, W., and Gaes, G., (1996). *PREP: A Study of "Rehabilitating" Inmates Through Industrial Work Participation, and Vocational and Apprenticeship Training*. Washington, DC: Federal Bureau of Prisons.

Saylor, W., and Gaes, G., (1997). "Training Inmates through Industry Work Participation and Vocational and Apprenticeship Instruction." *Corrections Management Quarterly*, 1(2): 32–43.

Saylor, W., and Gaes, G., (2001). "The Differential Effect of Industries and Vocational Training on Post Release Outcomes for Ethnic and Racial Groups." *Corrections Management Quarterly*, 5(4): 17–24.

Seidler, J. (1974). "On Using Informants: A Technique for Collecting Quantitative Data and Controlling for Measurement Error in Organizational Analysis," *American Sociological Review*, 39: 816–831.

Smith, C. J., Bechtel, J., Patricky, A., Wilson-Gentry, L. (2005). *Correctional Industries Preparing Inmates for Re-Entry: Recidivism & Post-Release Employment.*

Smith-Ingley, G., and Cochran, M. (1999). "Ruinous or Fair Competition: The Correctional Industries' Public Debate." *Corrections Today*, October: 82–100.

Tremblay, M. (1957). "The Key Informant Technique, A Nonethnographic Application." *Family Practice*, 59(4): 688–701.

Weiss, R. (2001). "Repatriating Low-Wage Workers: The Political Economy of Prison Labor Reprivatization in the Postindustrial United States." *Criminology*, 39(2): 253–291.

Wilson, D., Gallagher, C., and MacKenzie, D. (2000). "A Meta-Analysis of Corrections-Based Education, Vocation, and Work Programs for Adult Offenders." *Journal of Research in Crime and Delinquency*, 37: 347–368.

Yin, R. (2003). *Case Study Research: Design and Methods*, 3rd ed. Thousand Oaks, CA: Sage.

9

Exploring the Effects of Liminality on Corporate Social Responsibility in Interfirm Outsourcing Relationships

Brian Nicholson, Ron Babin and Steve Briggs

9.1 Introduction

This chapter seeks to contribute to the corporate social responsibility (CSR) discourse of "doing well by doing good" in the domain of Global Information Technology Outsourcing (GITO). Matten and Moon (2008) 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" (p. 405). Authors including Bishop and Green (2008), Emerson (2003), and Porter and Kramer (2006, 2011) have all argued for a "doing well by doing good" approach to corporate social responsibility that utilizes pro-market strategies to increase returns on philanthropic investment. They posit that corporations that embrace social concerns create a "win-win" outcome for both parties (Falck and Heblich 2007). However, Ahmad and Ramayah (2013) highlight the controversy that exists, questioning whether ventures that devote resources and effort in trying to improve society will suffer in terms of performance, or whether enterprises that "do good" will also "do well," and thus be successful both financially and socially. This issue remains inconclusive, as prior studies have presented mixed results (Roper and Parker 2013), highlighting the need for further empirical research. Furthermore, prior studies have largely been situated within a firm hierarchy or strategic alliance, and there is a paucity of literature exploring how the "doing well by doing good" approach to CSR might prevail in market-based interfirm outsourcing relationships. GITO presents an interesting context in which to study this phenomena, as it involves the subcontracting of IT services by transacting partners (client to a vendor) with some or all of the tasks undertaken in a different country (Sahay, Nicholson, and Krishna 2003).

In response to the gap in the literature, this chapter presents an empirical case study that explores the sponsorship of an Indian school by staff from both a GITO client and provider. It draws upon anthropological concepts to analyze how the school creates a liminal space "betwixt and between" the two organizations (Turner 1969). In liminal spaces, the customary identities, routines, and rules of the formal organization are suspended, with new identities, routines, and norms emerging (Turner 1977). The liminal space may engender spontaneous and enduring communitas, defined as community spirit and feelings of great social equality, solidarity, and togetherness. These concepts are used as a lens to examine the research question: "How does the liminal space created by establishing a CSR project strengthen the ITO relationship and improve the probability of outsourcing success?"

This question is analyzed through an intensive empirical analysis that draws upon semi- structured in-depth interviews undertaken with actors in the respective client and provider firms. Interviews also took place with others in the ITO industry, and this material is supplemented with different types of secondary data. The experience of one of the authors as an active participant in the case over several years helped to develop a rich contextual understanding of this phenomenon.

The rest of this chapter is organized as follows: in Section 9.2 the background debates in the literature regarding outsourcing and the "doing well by doing good" discourse in CSR are explored. In Section 9.3 the research approach and methods adopted are outlined. In Section 9.4 the case is described and analyzed, with Section 9.5 presenting the contribution of the chapter for both theory and practice. Conclusions of the research are provided in Section 9.6.

9.2 Conceptual framework

The theoretical basis for the analysis rests on the foundational concepts of "doing well by doing good," ITO relationships, and the concept of liminality. Within the backdrop of these concepts, this section has three main subsections. First, the doing well by doing good discourse in CSR is discussed. In the second section ITO relationships are explored, with the third section introducing the concept of liminality.

9.2.1 Corporate social responsibility and "doing well by doing good"

Over the last decade, the "doing well by doing good" approach to CSR has gained momentum in both research and practice. The main proponents of this approach to CSR include Emerson's (2003) concept of blended value; Hart's (2005) *Capitalism at the Crossroads*, Bishop and Green's *Philanthrocapitalism* (2008), and Porter and Kramer's "Shared Value" (Porter and Kramer 2006, 2011). A central tenet of this discourse is the belief that the application of business principles to CSR provides the ability to benefit both the business as well as good causes, thereby offering a "win–win" scenario (e.g. Pfitzer, Brocksette and Stamp 2013; Polak and Warwick 2013). However, critics of this approach argue that socially responsible firms experience lower profits and reduced shareholder wealth. Margolis and Elfenbein (2008) are particularly pessimistic, suggesting that "Research over 35 years shows only a weak link between socially responsible corporate behaviour and good financial performance" (p. 20).

Nevertheless, ITO clients and providers have increasingly embraced CSR issues. Babin and Nicholson (2012) trace the evolution of CSR in outsourcing from 2009, when the industry association, the International Association of Outsourcing Professionals (IAOP), established a CSR committee, with the goal of defining a CSR guide for the outsourcing industry which in 2010 included an evaluation of the CSR of applicants to the Global Outsourcing Top 100. In 2010 an IAOP survey on social responsibility in outsourcing found that "CSR is an important and growing issue for outsourcing customers and providers – 71 per cent say that CSR will become more important or much more important in future outsourcing contracts" (Babin and Hefley 2013). In 2012, IAOP unveiled an inaugural Global Outsourcing Social Responsibility Impact award, and in 2013, the same organization published the first "Outsourcing Professionals' Guide to Corporate Responsibility" (Babin and Hefley 2013).

9.2.2 Information technology outsourcing relationships

There is a substantial literature that has enabled a greater understanding of the management of ITO relationships. Rottman (2008) adopted a social capital framework in his case study presenting a US manufacturing firm outsourcing to an Indian software provider. This work focused on the hitherto poorly understood value that is created through social relationships. Kelly and Noonan (2008) examined the role of trust as a mechanism to reduce anxiety and improve psychological security between transacting partners. These findings concur with Sabherwal's (1999) conclusion that there is a need for trust in outsourcing projects which frequently requires the cooperation of strangers in tough, high-stress situations (Sabherwal 1999). Goo and Huang (2008) identified the role of commitment in outsourcing relationships and how commitment is linked to overcoming the adaptive limits of formal contracts. On a similar theme, Poppo and Zenger (2002) found that contracts and relational governance function as complements, not substitutes, determining 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 further 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).

Figure 9.1 provides a conceptual model that depicts relational governance as an interaction between outsource buyer and provider. This model is adapted from Kern and Willcocks (2000) who suggest that relational governance, which includes cultural adaptation and personal and social bonds, is equal in importance to contractual governance. Willcocks et al. (2011) found that outsourcing "relationships that generate trust offer an important competitive advantage over those that do not" and suggest that outsourcing practitioners should actively build the relationship advantage to create "a long term investment designed to benefit both parties" (p. 55). Similarly, Lacity and Willcocks (2012) in a review of 1,356 research studies found that "the best outsourcing relationships are based on sound contractual governance and on strong relational governance" (p. 23). The researchers identify communication and trust as key elements of relational governance. Global supply chain research regarding relational capital (Cousins et al. 2006) came to similar conclusions, "informal socialization processes are important in the creation of relational capital, which in turn can lead to improved supplier relationship outcomes" (p. 851). Returning to Figure 9.1, we posit that relational governance is enhanced by informal socialization in a liminal space which creates communitas; in the following sections we explain these concepts.

9.2.3 Liminality and liminal space

Anthropologist Victor Turner is largely credited with reintroducing the concept of "liminality" into anthropological discourse. The word "liminal," derived from "limen," the Latin word for threshold, was first employed by the French anthropologist Arnold van Gennep (1909) in his work *Les rites de passage*.

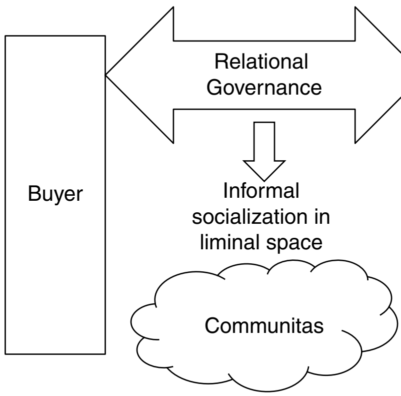


Figure 9.1 Communitas in relational governance

Liminality is a social space (liminal space) that is "betwixt and between the original positions arrayed by law, custom, convention and ceremony" (Turner 1977: 95). In anthropology, the concept is used to make sense of various rites of passage such as the rituals surrounding the ascendancy of a tribal chief (Turner 1977) but may equally be applied to other rites of passage including bar mitzvahs, marriage rituals, or fatherhood. Liminality is a component of what van Gennep distinguished as the second of three phases of a rite of passage: separation (divestiture), transition (liminality), and incorporation (investiture). Van Gennep describes the separation phase as the process that occurs when the individual or group subjected to the passage becomes separated from their previous social environment and way of life. During the transition phase, the person separated from their previous environment experiences the liminal space. During the final incorporation phase they enter a new group and begin a new phase in their life. Therefore, during the transitory or liminal phase, those involved are said to be "betwixt and between the positions assigned and arrayed by law, custom, convention and ceremony" (Turner 1977: 95), living "at the limits of existing structures" (Tempest and Starkey 2004: 507).

In an organizational context, a liminal space is created where the regular routines of the formal organization are suspended. While there is limited prior research drawing on liminal spaces in an organizational context, the concept of a space betwixt and between organizations has still proven useful in interpreting empirical data. Czarniawska and Mazza (2003) discovered that business consultants and their clients were neither part of one organization or another. Management consulting also formed the context for the study undertaken by Sturdy, Schwarz, and Spicer (2006), who analyzed shared dinners as the liminal space for political activity. Garsten (1999) and Zabusky and Barley (1997) both focused on temporary employees and professionals who identify neither with their organization nor occupational group, and those engaged in inter-organizational networks and projects (Tempest and Starkey 2004). Wagner, Newell, and Kay (2012) similarly focused on the liminal spaces for learning in teams implementing enterprise systems.

In different ways these earlier studies each draw upon notions of liminality in order to examine the implications of liminal spaces where previously settled organizational identities, routines, and rules disappear. Consequently, new blurred or transitional identities, routines, and norms are created (Garsten 1999). Activities occurring in the liminal space are performed "backstage," separated from mainstream organizational activities, allowing individuals and groups to think, act, and envision arrangements unconstrained by their existing work practices (Wagner et al. 2012). Participants are thus free from the existing institutional obligations (both technical and bureaucratic) specified by the organization, and are thus free to enter into new symbolic worlds and to transcend social structural limitations (Turner 1977).

9.2.4 Communitas

As a result of the rituals and symbols found in liminality, along with the suspension of normal institutional structures, an intense comradeship and egalitarianism develops where distinctions of rank and status disappear or are homogenized. This is indicative of what Turner refers to as communitas, based on affiliations of equality and solidarity. Communitas as experienced in a liminal space is representative of a society comprised of a relatively unstructured communion of equal individuals. This is in sharp contrast to the "structure" of society as secular and presenting a "differentiated and often hierarchical system of polito-legal-economic positions with many types of evaluation, separating [individuals] in terms of 'more' or 'less'" (Turner 1977: 360). The crucial component of a liminal space is acquired during rites of passage, through the rituals, ceremonies, and transient humility learned by the participants. Communitas may therefore be understood as the intense community spirit and solidarity created during the conditions of social equality, arising as people experience liminal spaces together.

Turner (2012) provides a number of familiar examples of how communitas has arisen in times of disaster, including the "Blitz spirit" that arose in the United Kingdom during World War II, and the rise of oppressed peoples as led by Mahatma Gandhi and Nelson Mandela. Communitas may also occur at festivals, during religious rituals, at work, or in times of stress, revolution, and in nature. The benefits of communitas, she writes, are the "quick understanding, easy mutual help and long term ties with others" (Turner 2012: 3). The communitas concept is also found in discourses of humanistic management, defining business organizations as a community of persons (e.g. Melé 2003).

For Turner (1969), communitas may emerge where social structure is absent. In essence, Turner asserts that the "ritual subject" is released from institutional norms, and once released from such structures into communitas, they will return to the given structure revitalized by the experience of communitas, suggesting that communitas is both spontaneous and temporary. However, Turner argues that communitas may endure even after the return to structure, arguing that "Communitas itself soon develops into a structure, in which free relationships between individuals become converted into norm-governed relationships between social personae" (p. 132). There are therefore two identifiable forms of communitas: i) existential or spontaneous communitas; and ii) normative communitas "where under the influence of time, the need to organize and mobilize resources and the necessity for social control among members of the group in pursuance of these goals, the existential communitas is organized into a perduring social system" (p. 132).

Table 9.1 Conceptual framework

Concept	Description	Key literature
Liminality	• Rites of passage	Van Gennep (1909)
	• Separation (divestiture)	Turner (1969, 1977)
	• Transition (liminality), the liminal space	Garsten (1999)
	• Incorporation(investiture)	Sturdy et al. (2006)
	• Role of liminal spaces "betwixt and between"	Wagner et al. (2012)
Communitas	• Structure vs. communitas	Turner (1969, 1977)
	• Spontaneous and normative communitas	Turner (2012)

9.3 Methodology

An interpretive case study methodology was adopted in this research (Walsham 1995, 2006). The project started with 52 semi-structured interviews undertaken with GITO buyers, providers, and advisers in order to examine the role of social responsibility in GITO. The sample included representatives from major banks, consumer product companies, a global mining company, an energy company, global outsourcing vendors, and outsourcing advisors. Six interviews with vendors were completed in Bangalore and Mysore, India, including the vice chair of NASSCOM, India's outsourcing trade association. Following this initial data collection, one of the authors enabled access facilitated by his position of Senior Manager in a UK-based bank, Co-operative Financial Services (CFS), and their ITO provider Steria, which has centers across India. Subsequent to this case study, CFS has changed its name to the Co-operative Bank. This relationship was selected for scrutiny for a number of reasons. First, ethical, environmental, and community matters hold a high priority in CFS's marketing literature and website, with its policies developed in consultation with their customers. Secondly, the ITO provider concerned is described as a "strategic provider" due to the importance of the outsourced project and the high level of contract spending, which amounts to an excess of £1M annually. Thirdly, the provider (Steria) has recruited the client (CFS) into the collaborative sponsorship of two schools in India. Finally, the authors were granted access to employees at both CFS and Steria for interviews and other forms of data collection.

9.3.1 Data Collection

One of the authors was Head of IT Sourcing Strategy at the client company until 2014 and managed introductions to the relevant client and provider staff. Twenty-three semi-structured interviews were then completed, and each interview was recorded and transcribed. Most interviews were conducted on-site over a two-week period, with interviewees being questioned at some point during the course of their working day. A further two interviews were undertaken by telephone with the provider's CSR specialist in India, and one telephone interview was conducted with the provider's Marketing Director based in London. The interviews followed the guidelines provided by Myers and Newman (2007), engaging in the historical reconstruction of the ITO relationship, and drawing on a set of semi-structured questions. Each interview lasted approximately 45 minutes and interviewees were asked to describe both their past experiences and future expectations regarding CSR in the outsourcing relationship, and how they believed it would be relevant to their future IT outsourcing business operations. Specific questions were asked regarding the current and future CSR challenges and associated provider capabilities. In addition, questions were asked about the collaborative school sponsorship and the benefits consequently accrued by the respective organizations. All the interviews were tape-recorded and professionally transcribed. Detailed notes were also taken and these were written up in full as soon as possible, along with any additional comments and interpretations. Several of the interviewees had visited the school and reflected on their experiences. One of the authors had visited the sponsored schools on three occasions in his role as Head of Strategic IT Sourcing since 2007 and this experience provided a rich source of in-depth data on the events in India and also contributed to interpretation of the interviews and evolving theory as presented in this chapter. All the secondary information regarding strategies and practices for CSR with outsourcing providers was collected and triangulated with data drawn from the direct interviews. This secondary data included brochures, company reports, and newsletters as well as CSR documents found on both the client and provider websites. Internal documents, including those detailing the supplier ethical benchmarking process, were also collected.

9.3.2 Data analysis

The analysis of themes arising from the interviews began by the authors becoming immersed in the data gathered from the interviews followed by discussions during breaks between interviews. Subsequently, reading and re-reading of the transcripts, listening to the recordings to "relive" the experience, and reflecting on supplementary notes and observations led to the initial identification of themes, while in parallel, a more formalized and systematic approach was initiated. Each interview transcript was reviewed, and responses to questions that were not provided by more than one interviewee were discarded. Responses that were given in multiple interviews were clustered into categories representing the common themes. These themes were then coded to identify the frequency of each mention in the interviews, allowing the researchers to quantify and prioritize the key themes. This engagement with the research participants, collection of rich data, and discussion between the researchers and participants formed the nucleus of the research approach and subsequent linkages to appropriate theories. Intensive discussion between the researchers took place both face to face and using Skype from our respective locations on the themes and theoretical analysis of the data. In addition, a report outlining preliminary findings was presented to key stakeholders at CFS and Steria, providing the initial analysis of the practices of collaborative CSR and the India school sponsorship. This was not part of an explicit action research strategy, but was nevertheless essential in obtaining and maintaining access, and provided a further point of discussion between the researchers and the interviewees. Finally, previous drafts of this chapter were presented at internal seminars at our respective universities and similar papers were submitted to conferences, all of which received critical feedback that proved essential in the analysis of the case.

9.4 Case Description

The outsourcing provider (Steria) employs over 20,500 employees across 16 countries, with offices located in Europe, India, North Africa, and Southeast Asia. Revenues in 2012 were over €1.8 billion. The client (CFS) is part of the UK Co-operative Group, a group of businesses with revenues of approximately £10.5 billion and with some 87,000 employees (2013). The outsourcing partnership is enduring, beginning in the 1990s. Today the providers' work is primarily focused on the maintenance and support of legacy applications.

The provider's CSR strategy consists of five categories relating to its priorities in relation to the environment, marketplace, workplace and community, access to IT and education. The school program, as part of the final category, is offered to selected clients on a partnership basis as a mechanism for injecting vital resources into schools located in the Indian cities of Chennai, Pune, and Noida, where the provider's centers are located. A total of 15 schools are supported by the provider, with clients presented with a variety of engagement options and associated costs. Clients are encouraged to communicate with the children in the school through mentoring, which may include email, video conferencing, and scheduled visits. When visiting India, client staff (usually but not exclusively high-ranking executives) are encouraged to visit the school that they sponsor.

Two schools are sponsored by the client described in this case. The first is Medavakkam High School located in the suburbs of Chennai, which has been sponsored since 2007. The second school is the Shri Ghanshyam Sharma Memorial High School in Dujana, Noida, which has been sponsored since May 2010. In both schools the pupils are from low-income families, such as farmers and laborers. The client budget in each school is £15,700 per annum, supporting the activities summarized in Table 9.2 below.

Table 9.2 Summary of sponsorship activities undertaken at the school

Computer center with 10 computers
Painting, woodwork, furniture, minor civil works for computer center 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
Theater workshops – including costumes and stage props – 4 per year
Mentorship sessions, sports day, study trips, other workshops and learning sessions during the year

9.5 Case study

Analysis of the empirical data was undertaken by applying the three phases of a rite of passage (separation, liminality, and incorporation) and the concept of communitas.

9.5.1 Separation (divestiture)

For Turner (1977) the divestiture phase involves the separation and detachment from the norms of the social environment and the previous way of life. The findings indicate that the separation that arises during the occasion of travel and the arrival at the school forms the basis for this separation. The school visits are scheduled into the period when clients are invited to the provider's offshore center for formal class-based training and less formal knowledge transfer and social networking. These visits to India usually involve senior staff staying for a few days (up to approximately one week), based in hotels close to the Steria offices in Chennai and Noida, but may also involve more junior staff staying longer term.

Client interviewees' recollections describe how visits to the school involve "leaving the normal routine" in the drive to the school, which is located some 20 kilometers away from the Steria center. This is formally timetabled as an event, with the visit notable for its relatively informal dress code and by staff traveling together to the school in shared cars. Interview participants revealed that while the journey to the school from the provider center was relatively short in distance, it actually necessitated over one hour of travel, due to the overcrowded and potholed nature of India's roads. A client-side interview describes this journey, revealing aspects of the separation it presents to participants:

> We emerged from air-conditioned five-star hotels and high-tech air-conditioned offices and embarked on a journey which highlighted starkly the huge wealth gulf between the economically disadvantaged lower castes of Indian society. Great poverty co-exists literally next to great wealth, with plush air-conditioned cars weaving between bicycles, often with two or

Figure 9.2 The school building described as a “bombsite”

> three riders and noisy three-wheel taxis, cows, dilapidated lorries, motorcycles, and occasionally elephants. Traffic chaotically weaves across the road and sometimes onto the other side, attacking all the senses. When turning into the school’s entrance it is, in contrast, relatively calm.

The school was described as Spartan and incomplete, or, as one CFS executive vividly put it, a “bombsite.” The condition of the building is shown in Figure 9.2.

9.5.2 Transition: The school as a liminal space for communitas

Approached on foot, one interviewee described the school grounds as “eerily calm from the outside when compared to the preceding journey.” The schools typically have large courtyards surrounded on all sides by one- or two-storey buildings. Often there are no visible doors or windows, just holes and spaces, presenting a very different architecture from that which clients visiting the school are used to. On entry into the school building, the visitors are presented with garlands of flowers placed around their necks and a tika applied to their foreheads. The tika consists of a bright dot of red color applied in the center of the forehead, close to the eyebrows. In Hinduism, the area between the eyebrows is said to retain energy and strengthen concentration, linked to the mystical notion of the “third eye.”

From the outset such activities afford the event an almost sacred status, signifying the prestige attributed to the visitors.

Figure 9.3 CFS managers enter the school

Figure 9.3 shows the arrival of the senior managers at the school, receiving the tika and meeting the children for the first time. In the suspension of the structure in liminality, evidence of communitas was already apparent in the relaxed dress codes and familiarity and ease existing between CFS and Steria staff (Figure 9.4 below). The "celebrity treatment" given by the children to the visitors also affected the development of communitas, as their usual identity as clients and providers of outsourcing services became blurred into their new identity as benefactors or saviours of the children, while they were jointly engaged in poverty alleviation. This sentiment was echoed in a client interview:

> Whenever Jim (senior CFS Manager) goes out there (to Steria India), he goes down to the school and gets treated like some sort of rock star or big worldwide celebrity.

Quite soon into the visit, the suspension of normal dress codes promoted the creation of communitas. This was evidenced in some staff wearing Indian garments in the school and giving staff and children visible demonstrations of affection (Figures 9.4 and 9.5 below) which would not be commonly witnessed in the workplace.

The visitors would then typically proceed to a classroom where the relatively Spartan conditions in which the children are taught is evident (illustrated in Figure 9.6). Figure 9.6 shows the neat and respectful order the children sit in,

Figure 9.4 Communitas manifested in dress code and behavior

Figure 9.5 Communitas manifested in visible demonstrations of affection

as well as their well-kept and proudly worn uniforms, which are in contrast to the obviously Spartan conditions in the school environment, including a complete lack of desks and chairs for the children to use. The client has supported a number of schools by providing funding to allow the purchase of simple wooden boards that are placed across a child's knees while sitting, creating an improvised "desk."

The group proceeded to pose with the children and the new computer equipment, illustrating once again the paradox encountered in India, as visitors move from a schoolroom with no desks, chairs, or windows, into a brightly

Figure 9.6 The Spartan classroom

Figure 9.7 The symbolic shared sacrifice: the ceremonial role of the donated computer equipment

lit high-tech PC-equipped classroom. The equipment can be deemed to be a shared sacrifice enshrined with symbolic significance, examples of ritual ceremonial objects and artefacts used in liminal spaces as described by Turner (1977). The children demonstrate their aptitude on the computers by delivering short PowerPoint presentations to the visitors, articulating the value of the sacrifice to both the client and provider, uniting them in their identity of fighting poverty in a noble cause.

The visitors then move to the outside courtyard where the entire school population is waiting for them. Client-side interviewees describe their observations and feelings at this point:

> Lined up in perfectly straight lines, children are sitting cross-legged on the earth ground, neatly dressed in their uniforms, which are worn with obvious pride. There is no movement, talking, chitchat, or lack of attention; the children appear perfectly behaved.
>
> I was struck by the humbling welcome from the school (and sometimes) local village dignitaries. Being placed on a pedestal is something I am not used to and normally find uncomfortable.

The visitors mingled directly with the children as shown in Figures 9.8 and 9.9.

An interesting episode demonstrated the extent of communitas developed in this liminal space, in the performance of a dance by the children in which a senior CFS manager joined in the stage performance (illustrated in Figure 9.9). This behavior, that may have been interpreted as undignified in a routine work setting, was met with great approval from all the interviewees present.

The preparation for these visits is extensive, revealing the significance attached to them. In the liminal space, events, rituals, and ceremonies have a 'harmonizing effect' as participants begin to develop a collective identity as their defenses go down and they begin to empathize strongly with both the children and one another, a process many employees described as "humbling."

Figure 9.8 Senior CFS manager sits with school pupils

Figure 9.9 Senior CFS manager dances with school pupils as part of a production

Figure 9.10 Symbolic tree planting

After the dance event, teachers, Steria, and CFS staff then engaged in the symbolic planting of a tree in the school courtyard, which was witnessed by the children (Figure 9.10). This ritualized planting further symbolized the enduring nature of the relationship between the school, Steria, and CFS.

9.5.3 Incorporation (investiture) and institutionalization of communitas

Leaving the school boundary left one of the interviewees "with an uplifting feeling" before the visitors traveled back to the provider center and routine structures.

There is evidence that a longer-term effect of communitas is institutionalized into the structures and practices of the client and provider. This is legitimated in client statements about the desired relationship with outsource providers:

> We want a common set of values – to build more trust, [with] like-minded organizations, [where] we share something in common.
>
> ...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.

On his return home a senior client manager revealed that he always made informal presentations in the staff work area about the visit to the school, including showing photographs that are also published on the provider's website. Provider staff in India renew their connection with the school through the voluntary mentoring of the children, including visits to train teachers and children in the use of the donated computer equipment. Client staff on assignment in India for several weeks spend periods of time in the school computer lab and also participate in sports lessons for the children.

Furthermore, the provider has also introduced the Steria India Foundation Graduate Scholarship Scheme – SIFGSS – that funds a graduate degree college education for the brightest of the children from the sponsored school, a program known as "Steria Scholars." Client staff held a number of fund-raising events for the funding of Steria Scholars from their sponsored schools, including a cake sale at the Co-op offices. The provider also holds an event called the "One Day Challenge" that takes place on an annual basis to benefit the school and the SIFGSS, with photographs exchanged between the teachers, children, Steria, and Co-op staff. The principal sponsor of the scheme is the Cooperative Banking Group, and their logo is included alongside Steria on the materials prepared for the challenge. A member of the senior management team of CFS personally financially supports a teacher at the school, and despite his departure from the Co-op, he continues to pay the salary of the teacher to this day.

The lasting beneficial effect of this normative communitas on the relationship is demonstrated in two ways, concerned with i) communication networks and ii) attrition (staff turnover).

9.5.4 Communication networks

The liminal space at the school provides the opportunity for interaction and cross-linkage between the actors in Steria and CFS outside of the formal designation of rank and communication rules within each organization and as stipulated by the outsourcing contract. A Steria manager said:

> CSR initiatives have helped to diminish the formal communication hierarchy – it allows more junior staff to speak directly with their seniors on a CSR-related activity.

This greater degree of communication is coupled with the removal of structures, the "defences," that tend to exist in a contractual relationship, with the mutuality experienced in the school removing any sense of "us and them." Such leveling has an effect on knowledge sharing, with a Steria staff member revealing in an interview that CFS staff:

> Are closer to the action. They're closer to the internal discussion. It's not a standoff where "I'm protecting my IP mind-set...."

Similarly, another Steria executive said:

> These trips out to India (the school) are where you really get to know your customers. 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.
>
> It's about working with my main contacts; working with India enables me to understand what makes CFS tick, what makes the company tick.
>
> I would just say it massively helps with our relationship and how we work together, you also bring in teamwork and there are so many other things that come into it, other skills such as 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 building relationships outside of the formal work environment. The communitas created in the school acts to offer new network ties (Granovetter 1985) and knowledge about the organization that becomes useful when problems and crises are encountered. A Steria executive observed:

> 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 in those situations. ...

9.5.5 Staff attrition

Communitas also has beneficial effects on staff turnover and motivation. Both CFS and Steria recognized the value of lower turnover in the Steria outsourced employees. A senior CFS executive confirmed:

> 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 ... that continuity with people on a program from start to finish was really hard but the turnover in Steria is lowest I've seen of all the Indian third parties.

While the Steria average attrition rate for 2010 was 16.5%, the attrition on the CFS project was 12%. In some areas, Steria attrition was as high as 25%, presenting a significant cost for the provider, who must hire and train replacement employees, which inevitably disrupts the service for buyers. Reducing attrition is therefore of benefit to both the outsource provider and the buyer, as the buyer gains continuous service from a knowledgeable outsource employee, while the provider keeps their training and recruitment costs low. Steria reported in 2010 that their average annual training cost was €691 per person, and that the average number of training days was 2.7 days per person per year. Several hundred Steria employees work on the CFS account, and therefore a 4.5% saving in attrition costs is significant. Steria executives commented that the Indian outsourcing market has a high level of employee turnover. Quotes from Steria executives regarding the challenge of keeping staff turnover low are provided below:

> India is going through huge attrition throughout each outsourcer ... it doesn't matter whether it's BPO, ITO. There is massive attrition because the labor 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 organizations, which is really visible to the guys in India ... you couldn't say the reason for the low attrition on CFS is solely because of what we do on CSR. But it's certainly part of the equation ... definitely a factor.

> We do have a lower attrition rate on the CFS account; I don't think it's purely down to the school sponsorship but I think it contributes. The ethical and social element does help. I wouldn't say it was THE reason why the attrition rate is lower but it definitely contributes.

Although the communitas developed in the liminal space associated with the school CSR project cannot be regarded as the only relevant factor, anything that lowers staff turnover is of benefit to both the buyer and provider. In an outsourcing relationship, where the service is delivered by well-trained and experienced staff, the advantages associated with a lower turnover of staff, which reduces costs and improves service, is a major benefit. The reduced staff attrition between CFS and Steria, which is partially attributed to the school project, would be a barrier and problematic for another provider to quickly reproduce, given the time and energy invested in the initial collaboration between the two firms.

Communitas is equally linked to the motivation of staff at both Steria and at CFS. The Co-operative Group Annual Report (2013) states that their aim is "to build a better society ... to be an ethical leader; to be an exemplary employer." In a time when the challenges faced by the global financial industry have disrupted many national economies, this vision, which is clearly articulated through CSR projects, motivates employees. A senior manager at CFS explained how the CSR projects motivated employees:

> It's the fact that we've got thousands of 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 exudes from the pores of the individuals working on a programme ... engagement is the thing, everywhere you get more out of people and they get more out of you if you're engaged.

Another CFS senior manager shared the engagement benefit arising from the school project:

> I have people that come back happier, much more engaged, and feel they're actually doing something that 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.

Productivity is a key consequence of creating motivated and engaged employees. Employees at CFS and at Steria, who were inspired by their working environment sharing a vision that is more than simply increasing profits tended to work longer and with more dedication. Interviewees spoke of the energy and attentiveness of the employees who are engaged in the CSR projects shared between Steria and CFS. One Steria account manager explained 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.

A CFS executive expounded on 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 until midnight? These guys stay until midnight and beyond and all night if necessary ... the school [CSR] thing is just a little part of that – it just builds that.

9.6 Conclusion

Previous research employing the liminality concept (Garsten 1999; Tempest and Starkey 2004; Sturdy et al. 2006) demonstrates the positive gains accrued from the presence of liminality, although the effect on relationship building in long-term outsourcing alliances is hitherto unexplored. This study has applied the concept of liminality and communitas developed in a CSR project to examine its impact on relationship building among individuals. Research findings are summarized in Table 9.3.

The client and provider in the long-term outsourcing relationship meet in the liminal space of a collaboratively sponsored primary school in an area of rural India. Both parties visit the school, described as a "bombsite" by CFS executives, several times a year, meeting one another, the teachers and children, and viewing the computer suite that they have funded. In terms of liminality, there are rituals undertaken that resemble sacred ceremonies, involving the presentation of garlands of flowers, tika application, performances and singing by pupils and the overall treatment of representatives of the two companies like "rock stars." Furthermore, the newly built computer suite could arguably be seen as representing a shrine or altarpiece as a shared oblation to the children – although there is no suggestion that the children represented a deity – only to emphasize the ritual significance in liminality. Such symbolism continues in acts of tree planting, participative theater, and dancing with the children. Adopting Turner's (1969, 1977) conceptual lens reveals how the Spartan school, with its ceremonies, rituals, and participation acts to detach participants from

Table 9.3 Development of spontaneous and normative communitas

Rites of passage	**Examples of rituals and symbols**		**Conceptual linkage**
Separation	• Scheduled event to visit school in timetable • 20 km travel to school in heat of day in shared cars	• "Bombsite" school	• Preparing for liminality
Transition	• Garlands of Flowers • Tika application cf Puja • Altar like shared sacrifice of computer center • Demonstrations • "Rock star" treatment	• Theater production • Joining in • Sitting with children • Hugging and display of emotion • Tree planting • Indian dress	• Spontaneous communitas • "High experience the low" • Removal of structure
Incorporation and institutionalization	• Presentations back in CFS • One-day challenge • Cake sales to raise sponsorship: school bags with logo and gifts from children	• Blog writing • Junior staff on detachment in India form closer attachments and involved in fundraising • Continued personal sponsorship of teacher	• Normative communitas – widening the communitas

their normal structures, allowing them to enter into a liminal space and thus creates a sense of spontaneous communitas between Steria, CFS, teachers, and schoolchildren. Normative communitas is created by institutionalizing activities such as longer visits by staff on secondment, the "one-day challenge" sponsorship event, and cake sales. This group effect was also reinforced by individual actions such as that of a former senior CFS board director who continues to fund the salary of a schoolteacher in India several years after he has left the organization's employ.

There is a distinction between liminality as part a rite of passage and liminality that is a neutral space but not forming part of a rite of passage where participants are not giving up their previous state or role for a new one. In this chapter, the rite of passage offers a useful classification of the pre- and post-liminal practices encountered but there is no attempt to argue that participant's role or status was altered as a result. Instead our analysis focuses on communitas in the neutral space of liminality offered by the school CSR project. Prior literature shows beneficial effects of informal socialization on outsourcing relationships involving hospitality trips to sporting events, theater, dinners, assault course team building, and so forth which have long functioned as a neutral spaces for executives from transacting organizations (e.g. Cousins et al. 2006). The findings here go beyond this prior literature in the following ways: first, by using the lens of communitas to demonstrate how a longer term commitment (several years versus a few hours in sporting events, dinners, etc.) may develop positive effects on the outsourcing relationship. The development of spontaneous and normative communitas under conditions of hardship is not new and the findings may be compared to informal socialization encountered on active leadership and team-building events (e.g. sailing, assault courses, etc.). Similarly, the school visits were not described as fun or entertaining by participants but instead emotionally exhausting and physically uncomfortable. However, what is novel is the explanation of how communitas developed between liminal participants encountering hardship who were also united in the cause of poverty alleviation as a result of the school CSR project.

The positive effects of liminality on the outsourcing relationship echoes with previous research that highlights the importance of trust in outsourcing projects "which frequently require the cooperation of strangers in tough, high-stress situations" (Sabherwal 1999). Other studies have described similar findings of higher employee engagement attained through participation in CSR projects. Bowman (2004, unpublished) inter alia 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 how "employees are looking for a sense of connectedness or community at work, and for their work to be an opportunity to contribute towards society" (p. 14). Others have similarly highlighted how social responsibility in the workplace boosts employee engagement, suggesting that "a sense of pride [garnered from social responsibility] is a major driver of both morale and results" (Amble 2007). While there may be nothing new in the finding that motivated employees are more productive, what is innovative about this research is that employees from both the outsource provider and client work collaboratively on CSR projects that they all support, contributing to an improvement in the spontaneous and normative communitas between the two groups, allowing them to collectively become more motivated and productive in their outsourcing work.

Furthermore, this analysis contributes to improving understanding of how a "doing well by doing good" approach to CSR may be achieved. The concept of liminality demonstrates how projects, such as the school in India, may be a site for the development of communitas between the individuals and organizations, formed as individuals become united in the act of "doing good." In this sense this research contributes to the "doing well by doing good" discourse in CSR, transcending previous work (e.g. Porter and Kramer 2006) that assumes CSR is undertaken within the firm hierarchy. This study therefore introduces the concept of liminality into the CSR discourse in market-based outsourcing relationships. Earlier descriptions of liminality in the management literature (e.g. Wagner et al. 2012) have not considered the interfirm transactional relationships that transcend both firm and country boundaries. By arguing for their linkage, concomitant with processes of both spontaneous and institutionalized normative communitas, this analysis has provided a theoretically richer construct of liminality and the nature of liminal spaces in interfirm outsourcing. While the notion of community is not a new one in management literature, it is largely absent from the related literature on global outsourcing relationships. Melé (2003), in discussing the challenge of humanistic management, describes enterprises as "communities of persons, beyond being an instrument for profits and a sort of organism which tries to adapt itself to the environment. Firms are a part of society and interact continuously with it. They cannot be a parasite or a cancer for society but a pillar for social life" (p. 84). The findings presented here concur with this point and offer evidence of the pragmatic benefits associated with "doing well by doing good," where a strong sense of cooperation is necessary.

A limitation of this chapter is the basis on a single case; however, single case research design is generally accepted with many precedents (e.g. Eisenhardt and Graebner 2007; Levina and Vaast 2008) but sometimes criticized for generalization potential. Following Walsham (1995, 2006) guidance on generalization of interpretive cases, this chapter focuses on theoretical development and offering rich insight. This research offers evidence that a more humanistic approach to the management of GITO relationships may be relevant to ITO performance and future research may continue to explore this linkage. Another area of future research may be to further explore the role of liminality in differentiating the CSR of GITO, extend our understanding of the distinctive nature of the choices to be made in CSR projects and the pre-liminal, liminal, and post-liminal preparation.

9.7 Postscript

This case study research was conducted between 2008 and 2011. Co-operative Financial Services was selected for the study because of the organization's strong commitment to social responsibility. The Co-op began as the Rochdale Society of Equitable Pioneers in 1844, whose goal was to improve the social and domestic conditions of its members. Today the Co-op balances profitable operations with a "purpose beyond profit" and a commitment to corporate sustainable development.

Beginning in 2013, CFS faced two significant challenges to its reputation: first, a significant financial loss after a difficult merger with the Britannia Building Society resulting in a portfolio of bad commercial property loans, and secondly the resignation of its chairman over allegations of illegal drug abuse. As reported in the Telegraph (August 22, 2014):

> The Co-op Bank has endured a difficult 12 months. Last year, a £1.5bn black hole was discovered in its accounts, forcing it to raise emergency funds that saw hedge funds and institutions take control. Along with a drugs scandal involving its former chairman Paul Flowers, this has tarnished the bank's ethical reputation in the eyes of some consumers.

The results from the case study are unaffected by the recent CFS challenges. As the Co-op works to rebuild its financial strength and public reputation, it remains committed to CSR and continues to work in a highly collaborative outsourcing relationship with its provider Steria.

References

Ahmad, N., and Ramayah, T. (2013). "Does the Notion of 'Doing Well by Doing Good' Prevail among Entrepreneurial Ventures in a Developing Nation?" *Journal of Business Ethics*, 106(4): 479–490.

Amble, B. (2007). "Social Responsibility Boosts Employee Engagement." From http://www.management-issues.com/2007/5/9/research/social-responsibility-boosts-employee-engagement.asp (accessed August 29, 2011).

Babin, R., and Hefley, B. (2013). *Outsourcing Professionals' Guide to Corporate Responsibility*. The Netherlands: Van Haren Publishing.

Babin, R. & Nicholson, B. (2012). *Sustainable Global Outsourcing: Achieving Social and Environmental Responsibility in Global IT and Business*. Basingstoke, Hampshire: Palgrave Macmillan.

Bishop, M., and Green, M. (2008). *Philanthrocapitalism*. London: Black.

Bowman, T. J. (2004). *Spirituality at Work: An Exploratory Sociological Investigation of the Ford Motor Company*. Unpublished PhD thesis, The London School of Economics and Political Science.

Co-operative Group Sustainability Report (2013). http://www.co-operative.coop/Corporate/CSR/sustainability-report-2013/downloads/54684%20CO-OP-2013_FULL_LINKED_v3.pdf (accessed October 25, 2014).

Cousins, P., Handfield, R., Lawson, B. and Petersen, K. (2006). "Creating Supply Chain Relational Capital: The Impact of Formal and Informal Socialization Processes." *Journal of Operations Management*, 24: 851–863.

Czarniawska, B., and Mazza, C. (2003). "Consulting as a Liminal Space." *Human Relations*, 56(3): 267–290.

Eisenhardt, K. M., and Graebner, M. E. (2007). "Theory Building from Cases: Opportunities and Challenges." *Academy of Management Journal*, (50): 25–32.

Emerson, J. (2003). "The Blended Value Proposition: Integrating Social and Financial Returns." *California Management Review*, 45(4): 35–51.

Falck, O., and Heblich, S. (2007). "Corporate Social Responsibility: Doing Well by Doing Good." *Business Horizons*, 50: 247–254.

Garsten, C. (1999). "Betwixt and Between: Temporary Employees as Liminal Subjects in Flexible Organizations." *Organization Studies*, 20(4): 601–617.

Goo, J., and Huang, D. (2008). "Facilitating Relational Governance through Service Level Agreements in IT Outsourcing: An Application of the Commitment–Trust Theory." *Decision Support Systems*, 46(1): 216–232.

Granovetter, M. (1985). "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology*, 91(3): 481–510.

Hart, S. (2005). *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*. Philadelphia: Wharton School Publishing.

Kelly, S., and Noonan, C. (2008). "Anxiety and Psychological Security in Offshoring Relationships: The Role and Development of Trust as Emotional Commitment." *Journal of Information Technology* 23(4): 232–248.

Kern, T., and Willcocks, L. (2000). "Exploring Information Technology Outsourcing Relationships: Theory and Practice." *Journal of Strategic Information Systems*, 9: 321–350.

Lacity, M., and Willcocks, L. (2012). *Advanced Outsourcing Practice: Rethinking ITO, BPO and Cloud Services*. London: Palgrave MacMillan.

Levina, N., and Vaast, E. (2008). "Innovating or Doing as Told? Status Differences and Overlapping Boundaries in Offshore Collaboration." *MIS Quarterly*, 32(2): 307–332.

Margolis, J. D., and Elfenbein, H. A. (2008). "Doing Well by Doing Good: Don't Count on It." *Harvard Business Review*, 86(1): 19–20.

Matten, D., and Moon, J. (2008). "'Implicit' and 'Explicit' CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility." *Academy of Management Review*, 33(2): 404–424.

Melé, D. (2003). "The Challenge of Humanistic Management." *Journal of Business Ethics*, 44(1): 77–88.

Myers, M., and Newman, M. (2007). "The Qualitative Interview in IS Research: Examining the Craft." *Information and Organization*, 17(3): 2–26.

Pfitzer, M., Brocksette, V., and Stamp, M. (2013). "Innovating for Shared Value." *Harvard Business Review*, 91(8): 3–9.

Polak, P., and Warwick, M. (2013). *The Business Solution to Poverty*. San Francisco: Berrett-Koehler Publishers.

Poppo, L. and Zenger T. (2002). "Do Formal Contracts and Relational Governance Function as Substitutes or Complements?" *Strategic Management Journal*, 23(8): 707–725.

Porter, M. E., and. Kramer, M. (2011). "Creating Shared Value." *Harvard Business Review*, 89: 63–77.

Porter M. & Kramer M. (2006). "Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility." *Harvard Business Review*, 84: 78–92.

Roper, S., and Parker, C. (2013). "Doing Well by Doing Good: A Quantitative Investigation of the Litter Effect." *Journal of Business Research*, 66(11): 2262–2268.

Rottman, J. W. (2008). "Successful Knowledge Transfer within Offshore Supplier Networks: A Case Study Exploring Social Capital in Strategic Alliances." *Journal of Information Technology*, 23: 31–43.

Sabherwal, R. (1999). "The Role of Trust in Outsourced Is Development Projects." *Communications of the ACM*, 42(2): 80–86.

Sahay, S., Nicholson, B., and Krishna, S. (2003). *Global IT Outsourcing: Software Development across Borders,* Cambridge: Cambridge University Press.

Sturdy, A., Schwarz, M., and Spicer, A. (2006). "Guess Who's Coming to Dinner? Structures and Uses of Liminality in Strategic Management Consultancy." *Human Relations*, 59(7): 929–960.

Tempest, S., and Starkey, K. (2004). "The Effects of Liminality on Individual and Organizational Learning." *Organization Studies*, 25(4): 507–527.

Turner, E. (2012). *Communitas: The Anthropology of Collective Joy*. London: Palgrave Macmillan.

Turner, V. (1969). *The Ritual Process: Structure and Anti-Structure*. Chicago: Aldine Publishing Co.

Turner, V. (1977) "Variations of the Theme of Liminality." In S. Moore and B. Myerhoff (eds.), *Secular Ritual*, Assen: Van Gorcum, pp. 36–52.

Van Gennep, A .(1909). *The Rites of Passage.* Chicago: University of Chicago Press.

Wagner, E. L., Newell, S., and Kay, W. (2012). "Enterprise Systems Projects: The Role of Liminal Space in Enterprise Systems Implementation." *Journal of Information Technology*, 27(4): 259–269.

Walsham, G. (2006). "Doing Interpretive Research." *European Journal of Information Systems*, 15(3): 320–330.

Walsham, G. (1995). "Interpretive Case Studies in IS Research: Nature and Method." *European Journal of Information Systems*, 4(2): 74–81.

Willcocks, L., Cullen, S., and Craig, A. (2011). *The Outsourcing Enterprise: From Cost Management to Collaborative Innovation*. London: Palgrave MacMillan.

Zabusky, S. E., and Barley, S. R. (1997). "'You Can't Be a Stone If You're Cement': Re-evaluating the EMIC Identities of Scientists in Organizations." *Research in Organizational Behaviour*, 19: 361.

10
Understanding Impact Sourcing in the North American Aboriginal Community

Ron Babin, Brian Nicholson and Megan Young

10.1 Introduction

This chapter examines the challenging realities of socially responsible outsourcing within a developed country. The research team was curious as to why clients are reluctant to outsource to a socially responsible Impact Sourcing provider within the borders of their own country. In exploring this, a deeper issue became clear, which now motivates this research. Impact Sourcing rests on the assumption that everyone wants to help marginalized populations when the reality is more complex, especially when there are deep-seated racist influences. The question our research addresses is this: how does a nascent Impact Sourcing enterprise balance inherent tensions to achieve both social and for-profit business goals?

Much of the extant Impact Sourcing literature is predominately focused on developing countries and there are few studies of Impact Sourcing in developed countries. This chapter contributes to this relative paucity of studies with a focus on marginalized Aboriginal communities in North America. Previous authors (Lacity et al. 2012; Lacity and Carmel 2015) have examined successful Impact Sourcing projects in the United States with Aboriginal communities at Cayuse Technologies, with military veterans at Liberty Source and with prison sourcing at a US federal prison. This chapter adds a new emphasis to our understanding of Impact Sourcing by focusing on a for-profit venture and the tensions and challenges experienced in the struggle to achieve business viability alongside a social mission. This chapter explores the endogenous/exogenous tensions between social responsibility and corporate profitability that challenge Impact Sourcing ventures and addresses a gap in the literature in terms of factors that may hold back these Impact Sourcing ventures.

The empirical basis for the analysis is Aboriginal IT Services (AITS)[1], an IT outsourcing company located in a major North American urban centre. AITS's social mission is to employ Aboriginals, providing skills, employment, and economic prosperity to the Aboriginal community. AITS was established with the assistance of the consulting firm Global IT Services[2] in order to improve Global IT Services' business opportunities for large outsourcing contracts.

This chapter is structured as follows. First, a context is given for the case, describing AITS's history and background. Second, relevant literature is reviewed, including the salient literature on Impact Sourcing, literature related to government policies for Aboriginals, and Aboriginal entrepreneurship and economic development. Third, the research method is described, and fourth, the case findings are discussed. This is followed by an interpretation of the case findings and the conclusion.

10.2 Context and background

AITS provides technology delivery and business process services to clients in North America. The company was founded in 2010 and is located close to a major North American city. AITS's goal is to create a high-quality onshore IT services company at a competitive price. Current AITS clients include a local Savings Credit Union (SCU), a Power Utility Corporation (PUC), and a mining company with potential development opportunities associated with natural resource projects. AITS employs approximately 55 people of which 11 employees are self-identified as Aboriginal. AITS's work is focused on software and information technology support, including a software testing center of excellence. Work is performed at the AITS offices, as well as at client sites.

According to Channel Partner interviewee C (CP-C)[3] the first step of the start-up phase was to determine a location for AITS and a First Nations partner. The Anonymous First Nation[4] (AFN) was chosen after a request for information was sent out to approximately 25 First Nations communities (CP-C). Of those 25 communities, approximately half responded before the list was narrowed down to three finalists located in different regions (CP-C). Although AFN was selected as the First Nations partner, through a number of interactions it became apparent that the band[5] was not unanimous in its support for AITS, and AFN's participation has been minimal over the last few years. AITS's offices are not located on the reserve lands of the AFN.

Global IT Services was instrumental in the creation and founding of AITS, using the experience of Cayuse Technologies, located in Oregon, United States, as an example. Global IT Services still maintains a connection with AITS as there are two Global IT Services employees, whom we call Manager C and Manager F (see Table 10.1), working at AITS as part of a management contract. Global IT Services methodology and documentation are used and displayed throughout the AITS office and Global IT Services identifies AITS as one of its global delivery centers.

From the start, AITS has faced challenges in developing new business. Publicly senior executives at potential client companies will embrace the concept of an

Aboriginal outsourcing company, but few contracts have followed the warm sentiments; clients appear reluctant to sign up with AITS as an outsourcing service provider. The company had relied on Global IT Services for its business development, but has had to engage in internal competitive bidding processes to participate on Global IT Services contracts. The AFN have proven thus far to be inactive business partners and owners.

According to people interviewed for this research, AITS has faced prejudice and preconceptions regarding the suitability of Aboriginals for IT work. The business environment seems to have difficulty in turning words into action, where the virtues of an Aboriginal sourcing company are praised by CEOs, yet managers appear reluctant to hire this onshore Impact Sourcing company.

Cayuse Technologies – the model for AITS

Cayuse Technologies, founded in 2006 and owned by the Confederated Tribes of Umatilla Indian Reservation, was created as a low-cost, high-quality outsourcing option for corporate clients (Cayuse Technologies 2015). Global IT Services helped in the startup of Cayuse and there is a management contract in place with Global IT Services. Global IT Services is also the primary client of Cayuse Technologies. Global IT Services receives work and then, when possible, subcontracts to Cayuse Technologies which must engage in a competitive bid process (Lacity et al. 2012).

One interviewee told us that Global IT Services' vision for Cayuse was "to create a delivery center onshore providing the same quality, and using the same technologies as we do offshore, but to put it somewhere that the ... population was more stable and the cost of living was much lower, and my hypothesis was that reservations or at least some reservations could fit that profile" (CP-C).

The creation of Cayuse Technologies was supported by the Global IT Services government Operating Unit as it provided a strong corporate citizenship story and allowed for credibility in Washington, DC, "due to the strong anti-outsourcing rhetoric" at the time (CP-C).

Estimated revenue for Cayuse Technologies is between US $15–17 million; it employs between 325 to 350 people, and has an employee base that is approximately one-third Native American (CP-C). Cayuse has had a significant impact on the tribe; as Lacity et al. (2012) point out, Cayuse has helped to reduce tribal unemployment which was at 35% before Cayuse began, and was reduced to 15% in 2012.

10.3 Literature review

The literature review is structured as follows: first, we discuss the literature on socially responsible sourcing and impact sourcing on a global scale. We then examine the government policies related to the education, taxation, and procurement strategies for Aboriginals because this community is the focus of the Impact Sourcing model. Third, we discuss the Aboriginal entrepreneurship and economic development strategies literature because AITS portrays itself to be an Aboriginal venture.

10.3.1 Impact sourcing

One definition of Impact Sourcing is "employment for high potential but disadvantaged people in the services sector" (Troup 2014). The Rockefeller Foundation further defines "disadvantaged" to relate to individuals who are "…considered disadvantaged in their local context" (Biteye and Badshah 2014) which can include economic, social, or physical challenges (ibid. 2014; Verma 2014a). Examples extend from individuals in developing countries, including traditional outsourcing provider markets such as India, to Aboriginal peoples and prison inmates (Lacity et al. 2012). The income, employment rate, and education disparity between Aboriginals and non-Aboriginals suggest that the Aboriginal population should be viewed as a disadvantaged population (Calver 2015; De Silva 1999; Kendall 2001).

Impact sourcing is currently viewed as a distinct component of the outsourcing sector, yet that distinction will likely fall away as the concept becomes more ingrained and accepted as an industry norm (Biteye and Badshah 2014). There are between 235,000 and 245,000 full-time employees engaged in the impact sourcing sector (Verma 2014a) which represents an increase from 2010 figures of 144,000 full time employees (Kubzansky 2011). In many African markets, and India and the Philippines, the growth of Impact Sourcing is occurring at a faster rate than traditional business process outsourcing (Verma 2014a).

The benefits of Impact Sourcing are myriad and include lower costs, a stable and motivated workforce, lower rates of attrition, a large labor market of qualified individuals and reliable performance with minimal security issues (Kubzansky 2011; Troup 2014; Verma 2014b). Lacity et al. (2012) identified Cayuse Technologies as an Aboriginal Impact Sourcing example that experienced many of these same benefits.

10.3.2 Government policies regarding Aboriginals

Two significant events have affected government policy with respect to Aboriginal peoples in Canada: the Calder decision that acknowledged the importance of land rights and the Mackenzie Valley Pipeline Inquiry where Aboriginal groups successfully managed to block a proposed pipeline and obtain a ten-year moratorium on further development (Anderson et al. 2006).

The Canadian Government acknowledged through the Royal Commission on Aboriginal People report, issued in 1996, that "a strategy grounded on economic development is the key to an alternative future" for Aboriginal Canadians (Anderson 2002).

As one outcome of the Royal Commission report, Aboriginal-focused procurement measures were announced by the Canadian Minister of Indian Affairs and Northern Development in 1996 (Aboriginal Affairs and Northern Development Canada 2014; McCrudden 2004: 262–263). An Aboriginal Business Directory ("ABD"), which contains the details of companies who are in compliance with the Procurement Strategy for Aboriginal Business ("PSAB"), is maintained by Industry Canada. The Canadian Government has defined the requirements for classification and inclusion in the ABD. The total value of contracts has increased on a year over year basis since 2009, with total set-aside contracts in excess of $1 billion awarded through PSAB between 1996 and 2012 (Aboriginal Affairs and Northern Development Canada 2014). A set-aside contract is one that has been reserved exclusively for "competitions among only eligible Aboriginal businesses" (Ontario 2015).

The Province of British Columbia has guidelines related to the procurement of programs and services that will be delivered to Aboriginal peoples, yet these guidelines are not mandatory and there are no requirements for procurement contracts to be awarded to Aboriginal-owned businesses or service providers (BC Office of the Comptroller General 2013).

There are additional challenges presented through Canadian law where Aboriginal bands are unable to use reserve lands as collateral for loans, making it difficult to obtain financing for economic development projects (Kendall 2001; MacDonald 2014).

In the following sections the literature on Aboriginal Education and Taxation is examined, and two recent government decisions are examined.

Education

An educational gap between Aboriginal and non-Aboriginal Canadians has been described by Calver (2015) and Kendall (2001) with the latter group attaining, based on 2011 statistics, an average of 1.4 years of additional education. Case studies of specific Aboriginal communities suggest that higher levels of education are attained by those who live in communities with sound economic development strategies (Diochon 2013) and where there is a higher rate of employment (Richards 2014). Geography also plays a factor with Aboriginal students in British Columbia and Ontario attaining higher levels of education than their counterparts in the rest of Canada (Richards 2014). These education policies are relevant to AITS, as will be explained later the need for higher education skills in IT are a limiting factor in AITS's ability to recruit and retain qualified Aboriginal employees.

Taxation

Specific taxation regulations apply to certain groups of eligible First Nations. The Canada Revenue Agency states that "section 87 of the Indian Act exempts from taxation the personal property of an Indian situated on a reserve" with employment income, based on court rulings, considered to be part of that personal property (2013).

The Canada Revenue Agency has defined guidelines that need to be evaluated in order to determine the taxation status of employment income. Where the majority of employment duties are performed on a reserve that the employer is resident on, the income is usually exempt from income tax. The term "employer is resident on a reserve" is interpreted to "mean that the reserve is the place where the central management and control over the employer organization is actually located" (Canada Revenue Agency 2013). These government taxation rules are important for AITS, which has a potential to reduce its operating costs by locating on a reserve, and has the potential to reduce employee income tax for status Indians.

Tsilhqot'in Nation v. British Columbia

The Supreme Court of Canada released a decision in June 2014 awarding Aboriginal title over disputed lands in the west central interior of British Columbia to the Tsilhqot'in Nation (CBC News 2014; Hansen and Bear Robe 2014). Economic development is still possible, but consent must either be obtained from First Nations (CBC News 2014; Hansen and Bear Robe 2014) or the government must be able to "justify economic development on aboriginal land" (CBC News 2014). It has also been noted that consent will likely need to come from the entire affected Aboriginal community, and not just the local leadership (Coates and Newman 2014).

The implications of this decision have yet to be fully understood (Coates and Newman 2014; Hansen and Bear Robe 2014). It has been suggested that outstanding Aboriginal legal claims, even those that have yet to be resolved in court, will likely have a stronger position as a result of the Tsilhqot'in decision (Coates and Newman 2014). This decision has benefits for AITS as buyers are more willing to engage Aboriginal businesses when they are dealing with projects on Aboriginal lands. PUC is a good example, where future construction projects will require an improved working relationship with Aboriginal businesses.

Truth and Reconciliation Commission

The Truth and Reconciliation Commission (TRC) was a key component of the out-of-court resolution of a class action lawsuit filed against the Government of Canada and four Canadian churches by former students of the Indian residential school system (Curry 2015). The TRC was "established to contribute to truth, healing and reconciliation" (Truth and Reconciliation Commission, n.d.) with what became a six-year mandate and a $60 million budget (Curry 2015).

The class action lawsuit was the largest in Canadian history and total settlements to former students, as per the *Globe* and *Mail*, have, as of May 31, 2015, totaled approximately $4.2 billion (Curry 2015).

The summary report, which was issued in June 2015, contained 94 recommendations for change in First Nations policies and programs, and was produced after "testimony from nearly 7,000 witnesses" (CBC News 2015). One of the primary recommendations included the development of a strategy to focus on closing the education gap between Aboriginal and non-Aboriginal students (CBC News 2015).

The TRC has increased awareness across all sectors and regions to the obligations that Canadian society has to Aboriginal communities. This awareness may provide increased opportunities for development of new AITS business.

10.3.3 Aboriginal entrepreneurship and economic development

Anderson (2002) conducted a case study, with participation from the Meadow Lake Tribal Council of Saskatchewan, noting that an improvement in the education of Aboriginals and strong support for entrepreneurship significantly improved the economic conditions of the region. A study from Eastern Canada addressed the importance of building capacity for entrepreneurship and the importance of self-sufficiency in order to reduce poverty (Diochon 2013). Reducing dependency and increasing economic self-sufficiency is considered an essential component of Aboriginal economic development (Anderson 2002; Diochon 2013).

Tada (2012) interviewed numerous Aboriginal entrepreneurs in Southern Ontario and Quebec to discuss the role of traditional culture and values within entrepreneurial business activities. It was noted that social relationships may take precedence over economic success, and that the primary goal of most Aboriginal business owners is not profit so long as the business is financially sustainable (Tada 2012). It has been suggested that this model of business could be more sustainable than traditional Western values and business models (Kendall 2001).

There is a perception, as mentioned by several interviewees, that Aboriginal Canadians have minimal interest in working, yet statistics show that labor force participation rates "are not significantly different than those of other Canadians" (Kendall 2001). Communities in Southern, Western, and Eastern Canada generally have higher levels of prosperity though there are isolated Aboriginal communities that suggest geography alone is an insufficient indication of economic success (Kendall 2001). The 2011 National Household Survey showed that the unemployment rate, however, is higher for Aboriginals aged 25 to 64 at 12.8%, as opposed to the Canadian average for that age group of 6% (Calver 2015). Aboriginals also earn less than their non-Aboriginal counterparts with average salaries for full-time workers of $50,928 versus $60,296 per annum (Calver 2015).

It has been suggested that the industrial economy proved challenging to Aboriginal economic development (Anderson, Kayseas, Dana, and Hindle 2004; Kendall 2001; Robinson and Ghostkeeper 1987) and that the "next economy," which focuses on knowledge, will lead to more success (Robinson and Ghostkeeper 1987).

It has been suggested that increased commercial activity could create fundamental differences in lifestyles due to income disparity, and there could be societal challenges associated with increased economic development (Booth and Skelton 2008).

Despite the challenges of providing a definition of social enterprise, one was proposed by Elson and Hall to be "a business venture, owned or operated by a non-profit organization that sells goods or provides services in the market for the purpose of creating a blended return on investment; financial, social, environmental, and cultural" (2012). Many Aboriginal-owned enterprises could be thus classified as social enterprises due to their ownership structure and business model (Anderson et al. 2006; Diochon 2013).

AITS was not initiated as an Aboriginal Entrepreneurship entity, as it began as an offshoot of Global IT Services. However, as AITS diversifies beyond Global IT Services with other channel partners, and repositions itself with the AFN partnership, it has the opportunity to become more of an Aboriginal enterprise and to leverage the models described in this section.

10.4 Research methodology

The primary method of data collection was through semi-structured interviews, conducted within AITS, with channel partners, and with AITS clients. In total, 23 interviews were conducted in person or on a telephone call.

The semi-structured method is appropriate because: it allows relevant questions to be asked from a topic guide, with the eventual goal of identifying patterns within the discussions.

Three specific groups of interview prospects have been identified in tandem with AITS's executive team:

- AITS's staff and management;
- Current customers of AITS, including PUC and SCU;
- AITS channel partners, including Global IT Services and another global IT services firm.

This research is presented as an exploratory case study (Myers 2013; Yin 2009) which is appropriate because AITS is one of very few Aboriginal

Table 10.1 Interviewees for Aboriginal IT Services case

Classification	Role	Company	Format
AITS	Executive A	Aboriginal IT Services	In-person
	Executive B		In-person
	Manager C		In-person
	Manager D		In-person
	Manager E		In-person
	Manager F		In-person
	Employee A		In-person
	Employee B		In-person
	Employee C		In-person
	Employee D		In-person
	Employee E		In-person
	Employee F		In-person
Utility Provider	Client A	Power Utility Corporation	In-person
	Client B		In-person
Financial Institution	Client C	Savings Credit Union	In-person
	Client D		In-person
	Client E		In-person
Channel Partners	CP-A	Another global IT services firm	Phone
	CP-B	Global IT Services	Phone
			In-person
	CP-C		Phone
	CP-D		Phone
	CP-E		Phone
Other	Other-A	The Rockefeller Foundation	Phone

outsourcing providers and there is limited knowledge regarding the challenges such a company could face.

The interview guide (Table 10.2 below) presents broad, open questions in order to cultivate a relevant discussion with each interviewee.

Permission was obtained for the study of AITS in 2015 with enthusiasm reflected in the number of executives, managers, and employees volunteering to be interviewed. Full cooperation was also provided by AITS management in relation to interviews with clients and partners, with AITS providing introductions when requested.

Data analysis

During each interview handwritten notes were taken by the research team. At the end of each day, and between interviews, emerging themes were identified and discussed by the research team. At the end of the interviews recorded notes were written up in full and reviewed and overall themes were identified.

Table 10.2 Aboriginal IT Services' interview guide

AITS Executives, Mangers, Employees	Customers	Channel Partners
• Please tell us a bit about your company, and your role within it • Do you consider AITS a social enterprise? • What would you identify as AITS's primary challenges?	• Please tell us a bit about your company, and your role within it • Could you please describe your current outsourcing strategy? • How do you balance social responsibility with economic considerations when making sourcing decisions? • Could you tell us a bit about your relationship with AITS? • Do you have any feedback for AITS?	• Please tell us a bit about your company, and your role within it • Could you please describe your experiences working with AITS? • What would you identify as AITS's primary challenges?

An organizational tensions framework was used to examine the dialectic between social responsibility and business success, where the "tension based approach recognizes organizations as conflicted sites of activity and takes as its starting point the 'dilemmatic' nature of organizing arising from the paradoxes, contradictions and ironies which naturally exist in organizations" (Gibbs 2009; Tracy 2004). Sahay et al. (2003) described tensions in Global Software Alliances in terms of "place and space," "standardization," and the "challenge of cross cultural communications." AITS displays organizational tension in its quest to be both an Aboriginal Impact Sourcing organization and a profitable outsource service enterprise. At the same time, the business community that buys outsourcing services displays a tension between the need to do "good" (i.e. buying from an Aboriginal service) and the need to mitigate the inherent risk of outsourcing by having an established, reliable provider. Gibbs has explored the cultural tensions in global software development teams and suggests that there is an "ongoing process of negotiating contested meanings in the form of tensions enacted from differing interpretations of work roles, values and processes" (Gibbs 2009: 928). Gibbs' framework will help to explain some of the tensions discovered in the case study findings which are described in the next section.

10.5 AITS: case study findings

Figure 10.1 below identifies two sets of factors from the interviews that positively promote or negatively inhibit the success of AITS. The negative factors

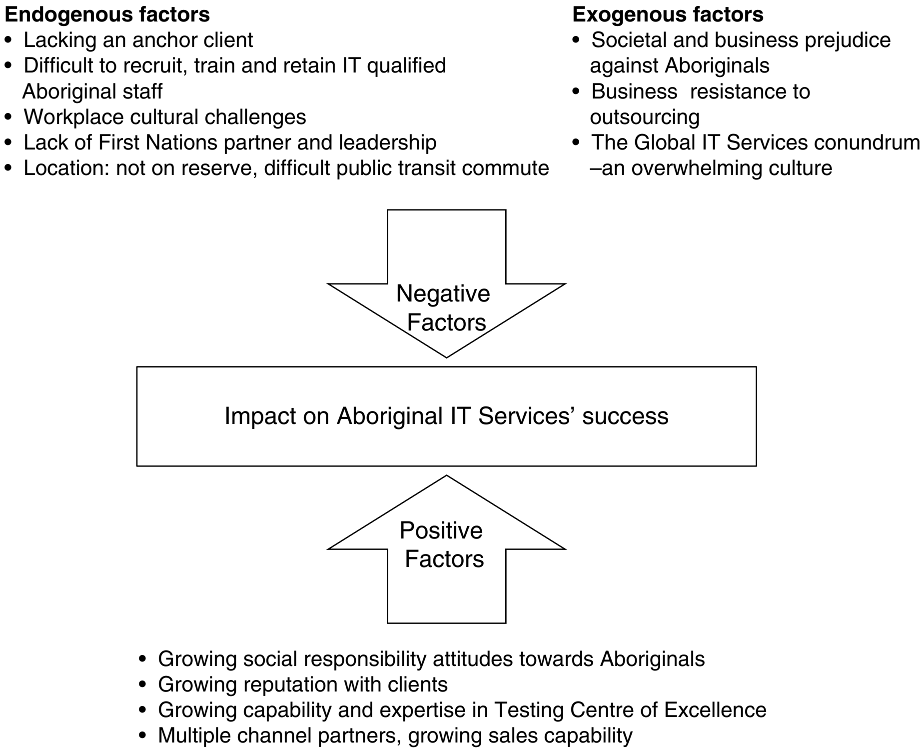


Figure 10.1 Factors that affect the success of Aboriginal IT Services

are divided into endogenous challenges within AITS, and exogenous factors within the broader Canadian society and business community.

The factors are discussed in detail in the following sections.

10.5.1 Endogenous negative factors

Several challenges were identified during field interviews with the management, employees, clients, and partners of AITS. These included the difficulties in recruiting trained and interested staff, the location of the business, and the work environment. The lack of an anchor client, which had been expected to materialize, was also identified as a significant barrier to success.

Lack of anchor client

AITS has yet to land an "anchor" outsourcing client. The company was founded without a significant outsourcing contract in place, and this situation has not changed. This is against the advice that was provided by the individual who was the driving force for the creation of Cayuse Technologies:

> My only counsel to anyone around the world, given the Cayuse situation, was, under no circumstance should you build one of these centers and then hope the client will come. It's expensive and very difficult to get those first clients to come into a place that has less skills and is "new." The whole social experiment kind of language kind of rang in my ears a lot. My only counsel was I can put a center anywhere in the world if you give me an anchor client who will guarantee a contract of 75 seats for five years, and then I can make that center a going concern in a five year time frame (CP-C).

There was an expectation that PUC would prove to be the anchor client for AITS, yet the contract and resulting business did not materialize (CP-C).

Difficult to recruit, train, and retain qualified Aboriginal Staff

AITS is majority owned by the Anonymous First Nation and therefore has a mandate to recruit and hire Aboriginal people. Despite this mandate, however, there are only 11 Aboriginal employees – which is approximately 22% of the total workforce – and there are no current employees that are members of the Anonymous First Nation (Manager D). This is in line with the history of AITS as, in its early phases, "we could never get anybody interested in working for us" and there were no AFN employees (CP-C).

There was an interesting statement made by Client B at the end of her interview, where she asked whether or not First Nations people were actually interested in pursuing careers within the IT industry. Traditional Aboriginal business and employment has been in the resource sector and in industries such as construction, forestry, and mining (Manager D, Employee E). Working in an IT outsourcing firm is not a traditional Aboriginal role, especially for women (Manager D, Employee E).

The importance of relevant training and finding people with the right skill sets was mentioned repeatedly during the interview process by representatives of AITS, by clients, and by the channel partners that have used AITS's services.

AITS, despite being owned by the Anonymous First Nation and the VFI Fund[6], has a diverse workforce. Several interviewees stated that AITS frequently hired new Canadians, including those without any Canadian work experience (Executive B and Manager D), and provided what was described as a "stepping stone for a lot of our employees" (Executive B). Hiring only First Nations staff, despite the mandate to hire Aboriginals, has proven to be difficult, as Manager E has noted that, in many cases, First Nations employees did not have the skills necessary for specific projects. This sentiment was echoed by Manager D, who stated the following:

> When you look at the service offerings that AITS has ... the roles all require highly skilled IT people with years of experience.

Manager C noted that it can be challenging to find people with very specific skill sets and those individuals with niche expertise can be costly to recruit and retain. AITS has lost some business opportunities and potential contracts because they were unable to find sufficiently trained personnel fast enough to meet client needs.

Manager D simply stated, due to costs, that they “can’t keep people on the bench,” which means that they need to hire based on project and client needs. The company has started using contractors, as per Executive B, though it should be noted that this is a fairly recent development.

Client C, who contracted AITS’s services to replace upwards of 1,000 personal computers in their office locations, initially had some concern as to whether or not AITS’s employees had the appropriate skill sets but chose an appropriate project as a testing ground:

> We don’t have a lot to lose, [we] set it up to be a win-win for both organizations ... it was low risk due to the nature of the work, no access to data or financial information ... a great opportunity to test AITS out (Client C).

The project required a narrow set of skills and training, but it gave AITS the opportunity to showcase its abilities as an organization. It was noted by CP-A that, based on his experience working with AITS, that their skills and services were similar to “entry-level resources” and that it will be “interesting to see how that changes as their staff become more experienced and marketable.”

There are a variety of educational resources and programs available for Aboriginal people in Canada. These range from programs available at traditional post-secondary institutions, such as universities or colleges, to those available through private training facilities.

Manager D noted that the history of AITS and her history with the organization is tied to the City Aboriginal Skills and Employment Partnership program which was funded through Human Resources and Skills Development Canada and required commitment from industry. Global IT Services was involved with this program, which provided the first employees for AITS, until its end in approximately 2012.

Another program was described by Manager D: Project Raven, a program whose goal was to increase the capacity of computer technology in Aboriginals. Certain courses were offered only to the Anonymous First Nation, and AITS, through its partnership, promised to interview and potentially hire successful graduates. Of the 12 who completed the training, only two submitted resumes and interviews, with one being hired by AITS. That individual has since left the company.

The challenge of receiving funding and support from specific First Nations communities was also discussed. Manager D stated that First Nations communities have an interest in supporting and developing the community which means that when training dollars are allocated, officials will look to see what meets the needs of the community. In Manager D's experience, this often leads to training support for fields such as construction, forestry, heavy equipment operators, teachers, and early childhood educators. Information technology is still considered to be a fairly new industry and less of a viable career option, which means that there is no focus on sending community members into the IT field or providing training. Once again it was stated that IT is seen as a non-traditional Aboriginal career (Manager D, Employee E).

Employee E amplified this challenge. She stated that traditionally Aboriginal men worked outside in logging, construction, and hunting and fishing activities, while Aboriginal women were expected to care for the home and family. Breaking this tradition can be difficult, especially in small, remote communities with a tightly knit culture and thousands of years of tradition. Employee E spoke of her difficult and challenging journey to leave her community and seek education in IT while "giving up" her newborn son to her parents when she moved to the city. Her father, supporting his daughter, understood the importance of computer technology because his job had been eliminated by automation of his workplace at the loading facility at a BC port. Finally, Employee E (and Executive A) spoke of the negative attitude of the chiefs and elders who saw companies such as AITS "stealing our young people," effectively robbing the future development of the community.

An examination of salaries shows that some natural resources careers do pay better than AITS. The average wages of entry-level forestry workers are $40,000 to $50,000 per year (Bouw 2014) while the maximum salary for a junior associate at AITS is $31,550, a figure that rises to $40,000 for associates (Manager D). Average wages for forestry workers coupled with a lack of local IT jobs for bands could help explain why training resources are allocated away from technology training. And anecdotally, the level of education required for a logger is much less than the education required for an IT professional, although it requires other attributes, such as strength, fitness, and a comfort with the wilderness work environment.

The interviewees did note that Global IT Services provides a wealth of online learning courses for AITS employees, but these are not easy to pursue because they often are taken on personal time, outside the office.

Workplace cultural challenges

During the interviews several people noted that there were potential cultural challenges associated with the inclusion of First Nations staff into traditional working environments. This is a relevant discussion as some projects call for AITS personnel to work on client sites, as opposed to remaining in the AITS offices.

A channel partner who was interviewed made the following comment, identifying what could be a concern of potential clients, and highlighting the importance of preparing Aboriginal employees for the traditional white-collar work environment:

> AITS has heavily invested in training resources, a lot of the resources come to them ... but they're not necessarily workforce ready in the mainstream corporate point of view. They're always going to have that training need and the need to socialize people with traditional office culture. That was quite a big challenge and the other aspect of that ... is getting them used to working in the city centers at client sites (CP-A).

This theme continued, with Client C further noting that some Aboriginal employees were not accustomed to coming into office buildings and work environments, while some would call in "sick" on the day because they "couldn't get the courage" to come into work. Manager C noted that there could be difficulty for individuals to adapt to rigid working hours, a problem that was mitigated through the implementation of flexible hours so long as the staff arrived neither too early nor late.

Cultural and community differences extend to issues such as bereavement leave, a challenge that was identified by several of the interviewees. CP-D had moved from a consulting firm in the United States, where she focused on outsourcing, in order to help with the creation of AITS and noted that:

> AITS was providing a unique opportunity to many FN people ... as we could flex our HR policies to allow for some of those cultural differences ... for instance, bereavement leave – if one of your employees, their family members passed away, not even a close family member, their nation may not be where AITS is, they would need about five to six days of paid bereavement leave. ... In the US, Global IT Services never granted more than one or two days' paid bereavement leave to any of its people/employees, just because in the US that sort of thing isn't considered necessary. (CP-D)

Similar sentiments were expressed by Client A, who noted that, in terms of his experiences working with diverse groups of First Nations, if there was a "death in the community, everything shuts down." This can be a fairly significant departure from the expectations of mainstream work environments, and can pose a challenge to those who are unfamiliar with First Nations traditions and culture.

Lack of First Nations partner and leadership

The question of the company's leadership was also discussed, especially as it relates to the First Nations. Manager D noted that Aboriginal people with academic degrees are often "snapped up" by companies and mentioned that former employees used AITS as a stepping stone to advance their careers, moving to higher-paying jobs in the City[7]. The limited involvement of the Anonymous First Nation should also be noted as there are other economic opportunities for AFN members, including positions located on reserve. With respect to the company's leadership, it was noted:

> [AITS] currently doesn't have that many senior Aboriginal team members, so being able to train up or find people that can be leaders that are of First Nations descent as well is probably a challenge going forward because that does give a lot of credibility. The CEO is very credible, has a great reputation in the City marketplace, he lives on band land, still not the same level of credibility as…if not fronted with a First Nations, or at least have First Nations individuals front and center in the management team. (CP-A)

Of the six individuals interviewed at AITS, in the executive and managerial levels, only one was of Aboriginal descent. As per CP-C, and the AITS website, two of the six board members are of Aboriginal descent and are part of the AFN. These two board members were appointed by the VFI Fund.

Location challenges

AITS was originally located in the downtown core of the City, using unused space provided by Global IT Services, while a more appropriate location was being sought (Manager D). The selected office site is located in the southern Fraser River. Being able to reach the island by public transit was described by Manager C as "awful," as there are no subway stops in close proximity and staff would have to rely on a public bus with infrequent service.

It should be noted that while the Anonymous First Nation is a majority owner of AITS, the facility is not located on Anonymous land, and is not eligible for tax relief for individuals or the corporation. It was noted during the course of the interviews that "we wanted it on Anonymous lands, but they didn't have any buildings there" (CP-C).

The location of AITS was a recurring theme during discussions with AITS executives and management. It was noted that the location is difficult to access using public transit (Manager C, Manager D, and Executive B) and that its location off-reserve may be a drawback to potential First Nations staff (Manager D, Executive B). It was noted by Executive B that the salaries offered by AITS would have to be considerably higher in order to compete with the tax-exempt income earned by First Nations who work on reserves.

The question of why AITS was not located on First Nations land was also posed by an AITS client (Client A), which suggests that the location of the company has also been questioned by external stakeholders. There appears to be uncertainty as to whether there would be any benefits for clients if AITS was located on native land; Client B stated that, in her experience, there were no tax savings for invoices should a business be owned by First Nations and located on reserve. This fits with the sales tax guidelines and regulations as defined by the Canada Revenue Agency (2015) and described in the literature review. There are other potential financial considerations related to being located on reserve, however. Based on its current ownership structure, should AITS be located on reserve, it is likely that their overhead costs would be lower as they are owned by the band and would likely not have to pay market rates to a commercial landlord.

The location of AITS also presents a unique challenge in terms of retaining employees. The City has a strong technology community, with August 2014 data suggesting there were as many as “18,750 ‘emerging’ technology companies,” with over 1,320 job openings listed on The City tech job sites (Burgmann 2014). Many employees are new citizens who use AITS as a first job (Executive B and Manager D) and it can be surmised that AITS’s location, close to a major city with many other economic options, makes it easier for employees to find other gainful employment as they develop their experience. Manager C stated that ex-employees described the commute as one of their primary reasons for leaving AITS.

It should be noted that Cayuse Technologies, which served as an operating model for AITS, is located on the reservation of the Umatilla Confederated Tribes. There is limited other industry in the area and job seekers would likely have to move to find high-paying work. The turnover at Cayuse Technologies in the first four to five years was estimated to be only 3% and it was suggested that it only increased after that point due to the economic downturn (CP-C). The Umatilla Confederated Tribes also supported Cayuse Technologies through the provision of a busing service that traveled the circumference of the reservation to pick up employees – and gamblers, as it was shared with a casino (CP-C).

The Anonymous First Nation currently owns 51% of AITS. This band is located in the Greater City Area, in the southwestern portion of the city. Based on the location it should be noted that the AFN is an urban band and there are limited natural resources over which they have control. However, the real-estate development opportunities on Anonymous land are significant, and the band has announced development of a large shopping and business center.

An interview conducted with CP-C revealed that there were many challenges associated with the development of AITS and the role of the AFN. Promises made by representatives of the band would fall through, for example, or the underlying component of a promise had never actually existed. CP-C stated that once the PUC contract was split up, Global IT Services considered moving AITS to another location in Canada, with discussions proceeding to the point of informal negotiations and familiarization trips. At the start-up of AITS, the need for additional funding and investment support, however, led CP-C to the VFI Fund, which wanted to maintain the relationship with the AFN:

> The VFI fund, and I love those guys, really enjoyed working with them, would work with them again, they made us stay with Anonymous and even though I never wanted to talk to those guys again, they felt a loyalty to Anonymous ... they felt they could do the deal with Anonymous and they wanted to keep it with Anonymous. (CP-C)

Many of the companies being targeted, including PUC and Mining Resources, were those with significant natural resource projects that required a social mandate. The AFN, however, had limited resources which meant that they weren't necessarily the band with members that companies needed to employ as part of their social contract. CP-D noted the following, as it related to the role of career development and resources:

> Locally, most of the paths of Aboriginal employment that I observed were forged based on companies or government entities or the crown companies creating agreements with the nations whose resources they wanted. They wanted rights of way for the pipelines, or timber or minerals or something like that and, depending on the sophistication of the various nations ... deal that gets struck by, sure you can come in and strip our resources, but you have to employ some of our people ... these are usually in the trades, but may be high-skilled, but they're not using IT ... there is very little to do with those kind of business services.

So, although companies are inclined to use Aboriginal services in resource-based projects, the concept of using Aboriginal IT services is novel and without precedent.

CP-B gave an example of trying to sell services to a large energy client, a client that stated that they were involved with one group of First Nations, and asked if AITS could be "something that's more broadly First Nations." CP-C pointed out that, during the creation of AITS, there seemed to be a misunderstanding of how First Nations individuals interacted with their communities. It seemed as though people believed "you're not really helping any First Nations other than these," but as CP-C stated, it's similar to immigrants who either send money home or return to their more remote communities in order to spend what they earned elsewhere.

There seemed to be limited involvement with AFN as a partner in AITS. There were several board members who were from the band, but there were no band members that acted as either employees or managers. Executive B was of the opinion that the AFN was an inactive partner and that AITS had "wanted them to help us out a bit more." When pressed, it was acknowledged that AITS was exploring partnership opportunities with other First Nations.

10.5.2 Exogenous negative factors

Beyond the challenges within AITS, there are also considerations within the external business environment that may be affecting its success. It was noted by many of the interview subjects, without any prompting, that racism is still a factor in the business environment, especially when focusing on the First Nations connections of AITS. It was also noted that some clients, especially those below the executive level, seem to be uncomfortable with outsourcing and giving up direct control of tasks and work.

Societal and business prejudice

During Canada's early national formation, in the 1880s "racial classifications were used to create and maintain discriminatory social hierarchies" (Reading 2013). During that period, racial differences were see as "meaningful and unchangeable [and] some races [were seen as] 'naturally' inferior, and consequently racial categories should be written into political, legal and social systems" such as the Indian Act of 1876 (Reading 2013).

Reading (2013) describes structural racism as "the economic, social and political institutions and processes of society and the moral and cultural systems that underpin them," and how "the ideological concept of race is given material power in the social order, as it becomes linked to political and economic structures and systems." The literature review noted that Aboriginal people have higher rates of unemployment than non-Aboriginals, similar workforce participation rates (despite negative perceptions of work ethic), and that there is an evident pay gap between the two groups (Calver 2015; Richards 2014; Kendall 2001). Structural Aboriginal racism described in the literature became evident during the case study interviews, although this was not expected or anticipated by the research team.

Client B pointed out that there are "lots of biases and prejudices out in the field," including discrimination, and that they have encouraged their contractors to hire indigenous personnel. Client C noted that there is a "negative perception of Aboriginal communities" that has to be managed, including the challenges associated with their cultural and workplace assimilation.

It was noted by Manager E that during business development discussions, he would lead with what was described as "the First Nations angle," but that "people have a preconceived notion of working with First Nations people." This was proven to be an obstacle in terms of business development and required a frank discussion with AITS's executives. An AITS representative relayed a story, when discussing the challenges of finding clients, of a prospective client bluntly stating that the problem was AITS's association with the First Nations.

Manager F compared the experience of the First Nations in Canada to those of Greenland's indigenous population, as he grew up in Copenhagen which also had a marginalized Aboriginal population. He also noted that "IT seems to be about avoiding risk" and that one of the challenges of AITS is that companies were not compelled to use their services without persuasion and reassurance in terms of risk. The reassurance was not confined to external clients – Manager F had also worked to reassure Global IT Services personnel that AITS staff members were able to meet their needs.

There also seems to be a question of, as per Executive B, "do Aboriginals do IT work?" Much of the career and skills training, as identified by Manager D during earlier discussions, suggested a focus on natural resources. Client A had noted, in his interview, that Aboriginals generally focused on employment in areas such as environmental restoration work and landscaping, as opposed to IT services. The topic of prejudice is inconclusive but it should be noted that there appears to be a significant gap between the work that Aboriginals are expected to do and the work that is offered through AITS. This was echoed by one of AITS's channel partners:

> Probably face a little bit of prejudice in using them ... the question of "will they be able to perform at the level that you would expect from any other IT service organization?" Just a prejudice that jumps to the front of lots of people's minds when they say, do I want to give this to an Aboriginal company. Still a challenge – probably much less in the public sector than the private sector – but it is still a challenge. (CP-A)

One of the individuals who worked with AITS during its early phase had quickly identified potential obstacles in business development, stating that:

> In many buyers/potential buyers' minds – non-First Nations potential buyers – putting together, in their heads, IT or high tech or anything technical services and First Nations workforce is like trying to hold two diametrically opposite things in their head at the same time and they struggled/recognized that. (CP-D)

These are still preconceptions that need to be overcome by AITS as they continue to grow and expand their business development efforts. Executive B described an Aboriginal Forum, hosted by the Board of Trade, where the primary topics were the Tsilhqot'in Decision and the findings of the Truth and Reconciliation Commission. She noted that "perceptions are changing," and that "as long as we're high quality and sell a good service, we should be able to grow."

Other-A noted that preconceptions and racism can be unavoidable in the field of Impact Sourcing, comparing the search for providers to that of a hiring manager with two resumes in hand: one from a candidate who went to a small local college, the other a candidate who attended an Ivy League university. Procurement departments, like hiring managers, will likely hire the person with a flashier resume despite the fact they will probably move onto something else quickly. Other-A is certain that case studies and referrals, which demonstrate clear success, will help to overcome any prejudicial notions.

Business resistance to outsourcing

During the initial conversation with Executive A, it was noted that AITS is able to get "a meeting with anyone in Canada," and that there are lots of "group hugs" but few sales and new contracts. As an example, Executive A stated that he had met the Chief Information Officer at every major Canadian bank, yet there were no forthcoming business opportunities.

CP-D noted that Canadian organizations seemed to be uncomfortable with outsourcing, using the example of an early contract that AITS received from Global IT Services, relating to business for a provincial agency in New Brunswick:

> For them, sending their work (application support) outside of Fredericton ... it was immaterial, could have been India could have been China. It felt like a very scary proposition since they lose touch with the workforce that is delivering their sources.

Additional details of the business negotiations and the agreement was provided by CP-C, who described the transaction and its success as follows:

> The business case they really liked, they liked our people, such a leap for them to get used to not having those people in the building and the fact Global IT Services would guarantee the success/quality, then they had to go through the whole approval process and that was the first time they allowed any – never used the term outsourcing – outsourcing out of that province, they were extremely fearful because of the politics.

The contract is still ongoing, and it was noted by Manager F that it is a successful relationship that has continued for approximately three years. This suggests that the resistance to outsourcing, and sending the work out of province, has been reduced and the agency in question has gained a level of comfort with the arrangement.

Representatives from AITS and Global IT Services have had meetings with the executive level of potential clients. These meetings, however, seem to rarely turn into business contracts. CP-C described how, in his experience, there was positive reaction within the c-suite and yet it was during the follow-through that the initiative fell apart:

> What literally happens is the CEO or CIO will say "sure, that's a wonderful thing," pass to the next level…next level is totally evaluated on cost or totally evaluated on success, their decisions are…"We have to have this inside our building or else I don't trust it.…I love the idea, but in the end gotta say no."

The business development attempts have continued with other large companies, but with similar results to those experienced by CP-C during the early days of AITS. CP-B echoed the frustrations of those who had preceded him:

> Went to the very top – me in all those cases, and the client partners…and they all said, "this is fantastic, we've got to do this, I'm going to tell our people."

There has been limited follow-through from the organizations that were approached by CP-B, though he does note that "I feel if these guys don't buy this then there's something fundamentally wrong." The difficulty in follow-through could be due to the comfort of the managers who have been asked to execute on the strategic vision of the executives, or it could simply be that the companies need to "figure out how to turn this into something the minions can execute" (CP-B).

An interesting summation was provided by CP-D, who simply noted that any resistance could possibly be explained through a lack of control on the part of the managers who would be responsible for the final work product:

> It all comes down to the level of resistance…usually not at the most executive level of the clients, but at the level of the mid- to not-quite-senior management whose…comfort levels completely get shot when they think they have less control over the people delivering their work. The less control has to do very much with "I don't see these people, maybe I can vet them when Global IT Services hires them, but I have to work with them all day long and I'm not that thrilled about that, especially if it crosses time zones."

Addressing the resistance of middle and senior management may prove to be a significant challenge but it is one that AITS can likely address through its strategy of finding one and two seats in large companies, as opposed to trying to land big contracts (Executive B), and by providing a high-quality work product.

An interesting statement was provided by CP-C that related to the frustrations of his experience with "corporate Canada" during the early stages of developing and building AITS, which is that "they don't deserve the slaps on the back that they think they deserve."

The Global IT Services conundrum

Global IT Services is, and has been, very closely tied to the development of AITS. The initial creation of AITS was spurred by Global IT Services executives that wished to increase their chances of success during the bidding for a contract with PUC. Global IT Services has, at one point or another, provided AITS with office space, furniture, internal process documents, management assistance, and business development support.

Manager F explained that AITS is considered to be an Global IT Services subcontractor, which means that AITS employees have access to many Global IT Services resources including their online computer training.

CP-D addressed the relationship between Global IT Services and AITS, comparing it to the role of a chipmaker in a computer hardware manufacturer:

> The investment we've brought with the embedded personnel and the payroll, and the people it's put in place, it's almost like the Intel sticker that's on your computer. We're the (Global IT Services) horsepower inside.... (CP-D)

Global IT Services has made a long-term verbal commitment to AITS, with CP-B stating they are "not burning a lot of investment dollars right now... my view is we're in, we're in for the longer term. Why go back?" This is beneficial for AITS as it was noted by firm management that "the clients want to know that we're committed long term" (CP-B).

There are currently two managers at AITS who are on loan from Global IT Services: one is responsible for Service Delivery while the other focuses on the Testing Center of Excellence and managing the personnel within. Executive B informed the researchers that there were four managers on loan from Global IT Services during the 2014 fiscal year, but there were specific challenges associated with their position. They worked at AITS and supported the company, yet there were pressures from their Global IT Services managers regarding their careers, including a focus on billable hours, their career trajectory, and so forth.

One of the key AITS executives during its creation was a newly retired Global IT Services executive who was asked by CP-C to move to City and spend some time building the company:

> I looked at it like an experiment.... Wouldn't it be nice to do this business in a way that doesn't decimate the community where it takes place.... I took an interest in that because of what goes on in the US and Canada, in a similar fashion ... the ravages of multinational companies and outsourcing.... (CP-D)

This executive was also responsible for the hiring of the current president of AITS. CP-D stated that the hiring of the president was an important step as there had been no CEO until his hiring, as she took the role of an operations executive. Executive B agreed that the hiring of the president was necessary for AITS, as it was "vital that we had that president, COO, sales specialist."

When we met six employees who volunteered to be interviewed as individuals, we heard mixed reaction to the Global IT Services relationship. On the one hand, Global IT Services provides a valued brand, reputation, and comfort for buyers. Global IT Services provides intellectual property in the form of methodologies and training. However, as a $30 billion dollar (USD) global IT services/outsourcing company with over 300,000 employees, AITS can feel overwhelmed by Global IT Services. Global IT Services' culture is clearly global and "corporate," while AITS strives to be an Aboriginal culture, reflective of its local social mission. With the lack of a strong Aboriginal partner, several people questioned if AITS truly is an Impact Sourcing company, focused on the Aboriginal community.

One customer (Client E) likened Global IT Services to a parent with a young toddler (AITS) who wants to become more independent. As Client E suggested, independence will come with time and experience, as AITS demonstrates its own capabilities in delivering successful client projects.

Business development within Global IT Services

Executive B joined AITS in June 2014, which is approximately the time that the company realized they couldn't rely on Global IT Services for their business development prospects. Global IT Services had asked AITS to bid on seats and engage in competitive bidding processes, which was a business development strategy that AITS executives felt they couldn't rely on. There was a shift in thinking, away from relying on Global IT Services, as AITS decided to "go for the big names with only one or two seats" as opposed to trying to land significant contracts at anchor clients (Executive B).

The involvement of Global IT Services seems to create a small challenge for AITS, as noted during an interview with a channel partner:

> I am quite a trusting soul so when the CEO says it's not an issue, I take him at his word ... there certainly were people in this company who were quite

> reticent about the idea due to Global IT Services's involvement. The Canadian leadership had questions about what they should share. "Should we have an Global IT Services person on our team?" even though the resource we've got doesn't have any affinity at all to Global IT Services. … (CP-A)

The reputation of AITS' president and the size of his network (Executive B) should help surmount any challenges associated with Global IT Services. There are currently partnerships in place with other channel partners (Executive A and Executive B), both of which are direct competitors to Global IT Services. Manager F used AITS's work with PUC as an example, stating that AITS's work with PUC is done through three channels: directly, through Global IT Services, and through other channel partners.

AITS has the right to use Global IT Services' methodologies, due to their "intimate relationship" (Manager F). Global IT Services appears to be the only channel partner that AITS has this relationship with, based on the researchers' discussions with AITS management and executives. Using the partnership with another global IT services company as an example, AITS would only be able to use their methodologies for work relating to their contracts.

There are some significant benefits associated with working closely with Global IT Services, beyond the access to their methodologies and processes. Manager E stated that, as a new company with no track record, the partnership with Global IT Services "garnered us some second looks." The relationship with Global IT Services provides a certain level of quality assurance for potential clients.

When questioned as to the involvement of Global IT Services in business development, and whether or not Global IT Services had the right to veto any bids or potential business, Manager F clearly stated that "AITS will not compete with Global IT Services." AITS is a small player, in terms of its capacity and service offerings, so it is highly unlikely that they would ever be in direct competition with Global IT Services. Executive B noted that there have been no restrictions from Global IT Services in terms of business development or potential partnerships.

AITS has had to build its reputation in not only the business community as a whole, but also within Global IT Services. Manager D noted that there was a "big effort to build the awareness to Global IT Services" on the part of AITS in 2012, as there were still Global IT Services leads that needed to be made aware of the AITS offerings. Manager D further noted that Global IT Services leads put in request for quotations ("RFQ's") for specific projects and clients, which allows AITS to bid for the work.

Manager F pointed out that one of the benefits of having Global IT Services staff on the ground at AITS is that Global IT Services personnel have some trusted points of contact:

> It allows Global IT Services to talk to someone who's also Global IT Services. … Are these people really good enough? Can you do it? It gives a level of comfort.

This sentiment was also expressed by Manager C who was confident that AITS was starting to gain trust within Global IT Services, and was starting to build relationships with key Global IT Services personnel. It was noted by CP-B, when discussing some of the differences between Cayuse and Global IT Services as they related to business development, that:

> In Cayuse there were some directives internally in Global IT Services given to carve out jobs to move there ... we have not chosen to do that.

It has been evident that there were differences between Canada's AITS and the US's Cayuse Technologies, and the roles of Global IT Services in the development of each. The lack of internal directives on the part of the Canadian leadership at Global IT Services, as it related to sending business to AITS, could be a key factor in the challenges that AITS faced in its first few years of operations. AITS's shift to finding direct business opportunities and reducing the reliance on Global IT Services will likely continue, as it has so far proven to be an effective method for increasing revenue and building the reputation of the company.

The Global IT Services conundrum was evident at Cayuse as well (Lacity et al. 2012), but the location of Cayuse Technologies on the tribal lands, and the presence of an anchor client that provided a revenue foundation for growth, diminished the overwhelming Global IT Services presence.

10.6 Interpretation of case study findings

We now return to the original question of this case study research: how does a nascent Impact Sourcing enterprise balance inherent tensions to achieve both social and for-profit business goals?

As Figure 10.1 illustrates, the negative factors currently outweigh factors positive to the success of AITS. However, AITS has demonstrated growing profitability, as described to the research team by Executives A and B, and has demonstrated strong customer satisfaction and the ability to get the job done, as described by Clients C and D. At the same time, the change in Canadian society, with growing social responsibility towards Aboriginal society, was identified as a strong positive factor by Client A, Client B, and Client E. Finally, Global IT Services and other channel partners have strong future expectations regarding the success of AITS on key projects, as described by CP-B and CP-E. Perhaps this trend of positive factors beginning to outweigh negative factors will continue and the issue of limited new business identified in initial interviews will soon disappear.

As sceptics, the research team acknowledges that deeply established racial prejudices against Aboriginals will take a long time to fade. This is where our case study goes beyond the current Impact Sourcing research, which thus far has examined positive and optimistic opportunities for socially responsible outsourcing. The dichotomy between social responsibilities of helping disadvantaged populations and the established structural Aboriginal racism creates a challenge to AITS's success. Indeed, as Client D pointed out, simply employing a large percentage of Aboriginal persons in a new IT company is a clear sign of progress; business success with growing profitability will be more challenging.

Changes in Canadian societal attitudes towards Aboriginal racism should prove eventually to be beneficial to AITS, but change will come slowly. The best method for addressing racism and preconceptions regarding Aboriginals and their abilities will be for AITS to continue operating as it does. Delivering high-quality business services at competitive prices, and with high levels of customer satisfaction, is the best way for AITS to prove itself.

Exploring future partnerships, with channel partners and in its ownership structure, will allow AITS to continue moving forward. The company has proven the importance of strong partnerships, as it works with Global IT Services and the other channel partners on future and current business offerings, but it has also shown the drawbacks associated with weak, inactive partners through its involvement with the Anonymous First Nation.

Table 10.3 Summary of Aboriginal IT Services' challenges and possible directions

AITS Challenge	**Possible Directions**
Lack of an anchor client	Continue direct business development and continue to work with channel partners
Difficult to recruit, train, and retain IT qualified Aboriginal staff	Demonstrate with examples and mentors the value of an IT career
Workplace cultural challenges	Embrace the reality of diversity of Aboriginal and other cultures, similar to cultural tensions in global outsourcing firms
Lack of First Nations partner and leadership	Replace AFN with an active First Nations partner
Location: not on reserve, difficult public transit commute	Consider relocation to a First Nations location
Societal and business prejudice against Aboriginals	Anticipate and encourage a positive changing societal attitude towards Aboriginals
Business resistance to outsourcing	Demonstrate competitive pricing and customer satisfaction
The Global IT Services conundrum – an overwhelming culture	Work with Global IT Services on opportunities to capture large new contracts, but not exclusively

10.7 Conclusions, limitations, and further research

This case study contributes to the growing literature on socially responsible Impact Sourcing. This case identifies the issue of structural racism as a fundamental challenge to Impact Sourcing within the borders of one's own country, and this is where this case goes beyond the extant research of Heeks, Lacity, Rottman, and others.

In the context of contributing to the literature on outsourcing in general and impact sourcing in particular, the dyadic tensions of Impact Sourcing described in the case help to extend previous research by Gibbs (2009), Tracy (2004), and Trethewey and Ashcraft (2004). Table 10.4 is built on Gibbs's Organizational Tensions and Communicative Responses model (2009: 928). In the table, the Dialectic Tensions from the AITS case are identified and the stakeholders' responses are described.

Implications from this case for theory and practice are many. Successful Impact Sourcing may be more readily attainable when the marginalized population is not seen as racial, or when the population is not within the same country, or when the reasons for marginalization are not rooted in the society that initiates the Impact Sourcing. As depicted in Table 10.4, a tension will exist in an Impact Sourcing venture with the need to balance one or more contradictions. Further research on similar Impact Sourcing cases should be examined. This case demonstrates that success is not guaranteed for an onshore Impact Sourcing model. Organizations that are considering a similar model should review the challenges described in this case to understand what to avoid.

This case has limitations. As Yin (2009) points out, a single case may not be the strongest in terms of internal and external validity. The case described here should be considered more of a pilot or exploratory case, and should be followed with more detailed examination of AITS, its clients and partners, as well as with more detail from similar Impact Sourcing cases, for example,

Table 10.4 Organizational tensions at Aboriginal IT Services

Dialectic Tension	**Main Stakeholders**	**Responses and examples**
For-profit outsourcing business versus Aboriginal social enterprise	• Shareholders • Employees	• Difficult to retain qualified IT-skilled Aboriginals • Difficult to build reliable revenue model
Local Canadian, Aboriginal business versus global Global IT Services outsourcing center	• Employees • Global IT Services executives	• Engage alternate channel partners at other global IT firms • Loose affiliation with Global IT Services, use it when needed

Impact Sourcing with American blacks, Impact Sourcing with Australian aboriginals, or Impact Sourcing with buyers and suppliers in India.

Several topics arose during the interviews as candidates for further research. The role of structural racism in Aboriginal business development is an important topic for further exploration, and whether there are barriers to Aboriginal entrepreneurship. Racial prejudice was identified repeatedly, and without prompting by many of the interviewees, which suggests that there are challenges associated with Aboriginal companies selling business services to non-Aboriginal companies.

Further research is planned. Further interviews and data collection at AITS, and with additional customers and channel partners are planned. Additionally, this research must consider similar cases from the United States and from Europe. The concept of onshore Impact Sourcing may have significant consequences for the global outsourcing market and it is worthy of rigorous academic investigation.

Appendix A – SCU Ethical Principles for Business Relationships

Our Ethical Principles for Business Relationships

1 **We value accountable and sustainable business leadership that engages in co-operative principles and practices.**

These businesses:

- Demonstrate good governance practices
- Are leaders in their sector
- Use their influence to create positive change in their sector
- Demonstrate transparency and accountability
- Engage stakeholders with integrity
- Are organized by co-operative principles

2 **We value economic and social inclusion for all people**

These businesses:

- Recognize international labor and human rights standards
- Support freedom of association
- Allow unions to form where desired by workers
- Demonstrate positive and fair relationships with employees, customers and partners
- Recognize and respect Aboriginal rights and title claims
- Promote social justice, equity and acceptance
- Demonstrate health and safety leadership
- Promote fair trade and financial inclusion

3 **We value strong and resilient communities**

These businesses:

- Are committed to strengthening the communities where they operate
- Use their influence and lobbying efforts to promote community building and sustainable urban planning design principles
- Have active community investment programs
- Support employee volunteering efforts
- Respect healthy democratic processes
- Promote engaged citizen decision-making

4 **We value environmental and sustainability leadership**

These businesses:

- Contribute positively to the green economy
- Provide goods/services with positive environmental benefits
- Measure and minimize impact on air, water and land
- Support the transition to a low carbon economy
- Contribute to the preservation of natural ecosystems and environmental restoration

We view every existing and future business relationship as an opportunity to create healthy communities. Our goal is to partner with organizations that are aligned with our Ethical Principles, and to encourage them to adopt even more practices that will benefit the community.

Notes

1. The name of the firm and the names of client organizations have been anonymized.
2. Global IT Services is a pseudonym for a well-known company.
3. Table 10.1 provides a complete list of all interviewees and the codes used to identify the individual.
4. As well, the name of the First Nations partner has been made anonymous.
5. A band is the governing body of a group of Indians.
6. Venture Funds Inc., a pseudonym, is a minority investor in AITS
7. Anonymous name for a large North American city.

References

Aboriginal Affairs and Northern Development Canada (2014). *Procurement Strategy for Aboriginal Business: 2012 Annual Report – Aboriginal Entrepreneurship Branch*. Retrieved from https://www.aadnc-aandc.gc.ca/eng/1428519695278/1428519777541#fnb1

Aboriginal Affairs and Northern Development Canada. (2010). *Aboriginal Content – Procurement Strategy for Aboriginal Business* [Interpretation bulletin]. Retrieved from https://www.aadnc-aandc.gc.ca/eng/1100100032811/1100100032822

Alexander, C. (2001, Winter). "Wiring the Nation! Including First Nations? Aboriginal Canadians and Federal E-Government Initiative." *Journal of Canadian Studies,* 35(4): 277–296.

Anderson, R. B. (1997, September). "Corporate/Indigenous Partnerships in Economic Development: The First Nations in Canada." *World Development,* 25(9):1483–1503. doi: 10.1016/S0305–750X(97)00050–8

Anderson, R. B. (2002). "Entrepreneurship and Aboriginal Canadians: A Case Study in Economic Development." *Journal of Developmental Entrepreneurship,* 7(1): 45–65. Retrieved from http://ezproxy.lib.ryerson.ca/login?url=http://search.proquest.com/docview/208429877?accountid=13631

Anderson, R. B., Dana, L. P., and Dana, T. E. (2006, February). "Indigenous Land Rights, Entrepreneurship, and Economic Development in Canada: '"Opting-in"' to the Global Economy." *Journal of World Business,* 41(1). doi: 10.1016/j.jwb.2005.10.005

Anderson, R. B., Kayseas, B., Dana, L. P., and Hindle, K. (2004, Summer/Fall). "Indigenous Land Claims and Economic Development: The Canadian Experience." *The American Indian Quarterly,* 28(3/4): 634–648. doi: 10.1353/aiq.2004.0089

Biteye, M., and Badshah, A. (2014, April 3). "Impact Sourcing: The Opportunity Ahead." [Web log post]. Retrieved from http://www.rockefellerfoundation.org/blog/impact-sourcing-opportunity-ahead/

Booth, A., and Skelton, N. (2008). "Indigenous Community Values and Commercial Forestry: A Case Study of Tl'azt'en Nation." Prince George, British Columbia: Natural Resources and Environmental Studies Institute, UNBC. Retrieved from http://books.scholarsportal.info/viewdoc.html?id=640352

Bouw, Brenda (2014, February 26). "I Want to Be a Forester. What Will My Salary Be?" *The Globe and Mail.* Retrieved from http://www.theglobeandmail.com/report-on-business/careers/career-advice/i-want-to-be-a-forester-what-will-my-salary-be/article17117602/

Burgmann, T. (2014, August 14). "Vancouver's Tech Scene: Buzz or Bubble?" *The Globe and Mail*. Retrieved from http://www.theglobeandmail.com/news/

Calver, M. (2015, June). "Closing the Aboriginal Education Gap in Canada: Assessing Progress and Estimating the Economic Benefits." *Centre for the Study of Living Standards*. Retrieved from http://www.csls.ca/reports/csls2015–03.pdf

Canada Revenue Agency (2013, November 21). *Indian Act Exemption for Employment Income Guidelines*. Retrieved July 24, 2015 from http://www.cra-arc.gc.ca/brgnls/gdlns-eng.html

Canada Revenue Agency. (2015, July 21). *GST/HST and Indians*. Retrieved July 25, 2015 from http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/frstntns/menu-eng.html

Cayuse Technologies (2015). "About Us." Retrieved June 3, 2015 from http://www.cayusetechnologies.com/about-us/

CBC News (2014, June 26). "Tsilhqot'in First Nation Granted B.C. Title Claim in Supreme Court Ruling." *CBC News Politics*. Retrieved from http://www.cbc.ca/news/politics/tsilhqot-in-first-nation-granted-b-c-title-claim-in-supreme-court-ruling-1.2688332

CBC News. (2015, June 2). "Truth and Reconciliation Commission Urges Canada to Confront 'Cultural Genocide' of Residential Schools." *CBC News Politics*. Retrieved from http://www.cbc.ca/news/politics/truth-and-reconciliation-commission-urges-canada-to-confront-cultural-genocide-of-residential-schools-1.3096229

Coates, K. and Newman, D. (2014, September). "The End Is Not Nigh: Reason over Alarmism in Analysing the Tsilhqot'in Decision" *The Macdonald-Laurier Institute*. Retrieved from http://www.macdonaldlaurier.ca/files/pdf/MLITheEndIsNotNigh.pdf

Curry, B. (2015, May 31). "What Is the Truth and Reconciliation Commission?" *The Globe and Mail*. Retrieved from http://www.theglobeandmail.com/news/politics/what-is-the-truth-and-reconciliation-commission/article24717073/

De Silva, A. (1999, March). "Wage Discrimination against Natives." *Canadian Public Policy/Analyse de Politiques,* 25(1): 65–85. doi: 10.2307/3551402

Diochon, M. (2013, November). "Social Entrepreneurship and Effectiveness in Poverty Alleviation: A Case Study of a Canadian First Nations Community." *Journal of Social Entrepreneurship,* 4(3): 302–330. doi: 10.1080/19420676.2013.820779

Elson, P. and Hall, P. (2012). "Canadian Social Enterprises: Taking Stock." *Social Enterprise Journal,* 8(3): 216–236. doi: 10.1108/17508611211280764

Evaluation Directorate (2009). "Formative Evaluation of the Aboriginal Skills and Employment Partnership Program: Final Report." Human Resources and Skills Development Canada, Strategic Policy and Research Branch. Retrieved from http://ryerson.summon.serialssolutions.com.ezproxy.lib.ryerson.ca/#!/search?bookMark=ePnHCXMw42LgTQStzc4rAe_hSmEG3c4DPtXF1CSCAzb6AazYzY2MDDkZAtwgTbOyVAXE8dYK-WkKQCMUELdDKQRnZ-bkFCsAe9cKkKtwQWNnCgHA4M2DrPdVCICsZ-JmUHBzDXH20IU2WeOhwyDxScDECey7GFQYE6EEAOCOP3A

Gibbs, J. (2009). "Dialectics in a Global Software Team: Negotiating Tensions across Time, Space and Culture." *Human Relations*, 62(6).

Gibson Library Connections, I., and Canada. Human Resources and Skills Development Canada.

Government of British Columbia, Ministry of Energy and Mines (2014, December 16). "Site C to Provide more than 100 Years of Affordable, Reliable Clean Power [press release]." Retrieved from https://news.gov.bc.ca/stories/site-c-to-provide-more-than-100-years-of-affordable-reliable-clean-power

Hansen, S. and Bear Robe, K. (2014, July). "SCC Ruling on Aboriginal Title: Tsilhqot'in Nation v. British Columbia, 2014 SCC 44 and Significant Changes to the Legal Landscape." *Miller Thomson LLC Aboriginal Law Update*. Retrieved from http://www.

millerthomson.com/en/publications/communiques-and-updates/aboriginal-law-update/july-2014/scc-ruling-on-aboriginal-title-tsilhqotin

Heeks, R. (2013, December). "Information Technology Impact Sourcing." *Communications of the ACM,* 56(12), 22–25. doi: 10.1145/2535913

Kendall, J. (2001, June). "Circles of Disadvantage: Aboriginal Poverty and Underdevelopment in Canada." *American Review of Canadian Studies,* 31(1–2): 43–59. doi: 10.1080/02722010109481581

Kubzansky, M. (2011, June). "Job Creation through Building the Field of Impact Sourcing." *Monitor Inclusive Markets*. Retrieved from https://assets.rockefellerfoundation.org/app/uploads/20110314231120/Job-Creation-Through-Building-the-Field-of-Impact-Sourcing.pdf

Lacity, M., Rottman, J. W., and Carmel, E. (2012). "Emerging ITO and BPO Markets: Rural Sourcing and Impact Sourcing." *IEEE Readynotes*, IEEE Computer Society.

Lacity, M., Rottman, J. W., and Carmel, E. (2014). "Impact Sourcing: Employing Prison Inmates to Perform Digitally-enabled Business Services." *Communications of the Association for Information Systems*, 34(51).

Lacity, M., and Carmel, E. (2015). "Employing U.S. Military Families to Provide Business Process Outsourcing Services: A Case Study of Impact Sourcing and Reshoring (unpublished)."

Lee, N., and Lings, I. (2011). "Doing Business Research: A Guide to Theory and Practice." Washington, DC: Sage Publications Ltd.

MacDonald, J. (2014, May 29). "How a B.C. Native Band Went from Poverty to Prosperity." *The Globe and Mail*. Retrieved from http://www.theglobeandmail.com/report-on-business/rob-magazine/clarence-louie-feature/article18913980/

Marques, J. C., and Mintzberg, H. (2015). "Why Corporate Social Responsibility Isn't a Piece of Cake." *MIT Sloan Management Review*, 56(4), Summer.

McCrudden, C. (2004, November). "Using Public Procurement to Achieve Social Outcomes." *Natural Resources Forum*, 28(4): 257–267. doi: 10.1111/j.1477–8947.2004.00099.x

Ministry of Aboriginal Affairs (2015, February). *Results-based Plan Briefing Book 2014–15*. Retrieved from https://dr6j45jk9xcmk.cloudfront.net/documents/4044/2014–15-maa-rbp-briefing-book.pdf

Myers, Michael (2013). *Qualitative Research in Business and Management* [Kindle edition]. Retrieved from http://www.amazon.ca

Office of the Comptroller General (2013, April 25). *Aboriginal Procurement and Contract Management Guidelines* [Ministry of Finance Guidelines]. Retrieved from http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/Aboriginal_Procurement_and_ContractMgmt_Guidelines.pdf

Ontario (2015). *Aboriginal Businesses: Bidding on Government Contracts*. Retrieved June 16, 2015 from http://www.ontario.ca/aboriginal/aboriginal-businesses-bidding-government-contracts

Porter, M., and Kramer, M. (2011, January–February). "Creating Shared Value." *Harvard Business Review*. Retrieved from https://hbr.org/2011/01/the-big-idea-creating-shared-value

Reading, C. (2013). "Understanding Racism." *Social Determinants of Health, National Collaborating Centre for Aboriginal Health (NCCAH)*. Retrieved August 30, 2015 from http://www.nccah-ccnsa.ca/Publications/Lists/Publications/Attachments/103/understanding_racism_EN_web.pdf,.

Richards, J. (2014, April 30). “Are We Making Progress? New Evidence on Aboriginal Education Outcomes in Provincial and Reserve Schools.” *CD Howe Institute*. Retrieved from http://www.cdhowe.org/pdf/Commentary_408.pdf

Robinson, M., and Ghostkeeper, E. (1987, June). “Native and Local Economies: A Consideration of Economic Evolution and the Next Economy.” *Arctic*, 40(2): 138–144. Retrieved from http://arctic.synergiesprairies.ca/arctic/index.php/arctic/article/viewFile/1758/1737

Rottman, J., Lacity, M., and Carmel, E. (n.d.). *The Impact of Impact Sourcing*. Manuscript in preparation.

Sahay, S., Nicholson, B., Krishna, S. (2003). *Global IT Outsourcing: Software Development across Borders*. Cambridge: University Press.

Tada, K. (2012). “Social Behaviours in First Nations Businesses: An Exploration of Alternative Development.” *The Canadian Journal of Native Studies*, 32(2): 77–101. Retrieved from http://search.proquest.com.ezproxy.lib.ryerson.ca/docview/1498365291/fulltextPDF/E1FF8DCE7604D1DPQ/1?accountid=13631

Tracy, S. (2004). “Dialectic, Contradiction or Double Blind? Analyzing and Theorizing Employee Reactions to Organizational Tension.” *Journal of Applied Communication Research*, 32(2).

Trethewey, A. & Ashcraft, K., (2004). “Practicing Disorganization: The Development of Applied Perspectives on Living with Tension”, *Journal of Applied Communications Research*, 32(2): 81–88

Troup, S. (2013, September 19). “A Shared Vision for Impact Sourcing [Web log post].” Retrieved from http://www.rockefellerfoundation.org/blog/shared-vision-impact-sourcing/

Troup, S. (2014, May/June). “Impact Sourcing 101.” *Pulse*,11: 30–37. Retrieved from http://assets.rockefellerfoundation.org/app/uploads/20140516194131/Impact-Sourcing-101.pdf

Truth and Reconciliation Commission (n.d.). “Our Mandate.” Retrieved July 20, 2015 from http://www.trc.ca/websites/trcinstitution/index.php?p=7

Verma, A. (2014a, September 18). “Sherpas in Blue Shirts: The Fundamentals of a Powerful Global Sourcing Model [Web log post].” Retrieved from http://www.rockefellerfoundation.org/blog/sherpas-blue-shirts-fundamentals/

Verma, A. (2014b, September 26). “Why Impact Sourcing Is Good for Businesses and Communities [Web log post].” Retrieved from http://www.rockefellerfoundation.org/blog/why-impact-sourcing-good-businesses/

Yin, Robert K. (2009). *Case Study Research, Design and Methods*, 4th ed.. London: Sage Publications. Appendix A – Vancity Ethical Principles for Business Relationships

Index