



In this issue:

## Assessing the Role of CSR in Outsourcing Decisions

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# Assessing the Role of CSR in Outsourcing Decisions

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## Abstract

How do organizations view Corporate Social Responsibility (CSR) in IT outsourcing (ITO) decisions? That is the focus of this research paper. Organizations have recognized offshore outsourcing of IT and IT enabled services as an effective cost reduction method. Corporate Social Responsibility is also well recognized as a business strategy to define and defend an organization's position in the marketplace. The key question this research seeks to answer is this: what role, if any, does CSR play when organizations decide to outsource? Preliminary findings suggest that CSR issues, especially environmental issues, will increase in importance. The adoption of global standards such as the Global Reporting Initiative and the ISO 26000 standard will allow organizations to apply a consistent measure to the information supply chain, much of which is delivered through an outsourced global network. This research was initiated in Canada through interviews and surveys with outsourcing buyers, providers and advisors. Subsequent phases of the research will extend the preliminary findings to a broader global market.

**Keywords:** Outsourcing, Offshoring, Corporate Social Responsibility, Globalization, Sustainability, Environmentalism, ICT Labour

## 1. INTRODUCTION

Corporate social responsibility (CSR) and environmental sustainability are critical management issues that have not been addressed by the IT Outsourcing (ITO) industry. This paper describes preliminary findings from a research program that seeks to understand the impact of CSR considerations in IT outsourcing decisions. The broader research program will be delivered over several years. The findings in this report are being used to focus and calibrate the research program.

CSR and ITO are clearly accepted in business organizations as fundamental capabilities. What is less clear is how CSR affects ITO decisions. As organizations and their stakeholders increase their expectations regarding social and environmental issues it is reasonable to predict that CSR expectations will be applied to key outsource suppliers. For example, Walmart's Green Goods (Dias,

2008) environmental campaign has had a significant impact on its supply partners. Similarly, IT outsourcers should expect to be held to the same level of CSR performance to which their customers aspire. Yet this preliminary research suggests that CSR issues have not yet hit the ITO industry. However, almost all who participated in the research agree that CSR will become a very important issue, especially with respect to environmental issues, in the future.

## 2. RESEARCH QUESTIONS

Corporations must continually reduce costs and improve processes in a globally competitive environment to provide expected profit and returns to shareholders. Offshore outsourcing provides an avenue to accomplish this goal. However, outsourcing is an emotional topic, especially for those who may lose their employment. The costs to both local and global society of outsourcing

may outweigh the benefits to the corporations and their shareholders.

A rising wave of CSR concerns has encouraged corporations to examine all implications of their outsourcing business decisions. The Economist (Jan 19, 2008) reports that the priority that executives give to CSR issues has approximately doubled in the last three years. The percentage of executives who give CSR high or very high priority has gone from 30% three years ago to 55% today and is expected to rise to 65% in three years. Business executives and boards will examine outsourcing in terms of social implications in addition to traditional business benefits. Social implications include the welfare of the society where the corporation operates as well as the welfare of the society where the IT and IT enabled services will be outsourced to. Specifically, corporations who outsource will want to ensure that their outsource providers can attest to the well being of their employees and the communities in which they operate. From a business case perspective, The Economist reports that CSR initiatives are expected to provide better brand reputation, make organizations more attractive for potential and existing employees, help meet ethical standards required by customers and create better relations with regulators and law makers. Organizations who outsource to external providers should expect these same CSR benefits from their providers.

The rising acceptance of CSR, and consumer expectations, suggests that ITO service providers will position themselves as socially and environmentally responsible. As evidence, in January of this year (2008) Accenture signed the UN Global Compact, the global voluntary corporate citizenship initiative. IBM's outsourcing unit, Global Business Services, released its first white paper on Corporate Social Responsibility in February of this year.

Well defined CSR concepts are now being codified by global standards organizations, such as the ISO and other industry specific entities. Concepts such as labour practices, human rights, community involvement and development are recognized throughout the world. Additionally a new set of environment related CSR topics has begun to gain importance, with issues such as minimizing waste, reducing carbon emissions, eliminat-

ing toxic chemicals, etc. For example, as organizations strive to measure and then reduce their carbon emissions they will expect an outsource provider to account for their global carbon output. Preliminary research interviews and survey results suggest that environmental issues may become the most important aspect of CSR in outsourcing decisions. As many have recently pointed out, with the price of oil dramatically increasing (a "quadruple" increase according to The Economist May 31, 2008), the cost of energy is now a major concern for all organizations. Thomas Homer-Dixon describes the significant changes that will come from "increasingly serious energy constraints, and the era of cheap oil [having] come to an end." (Homer-Dixon, 2006, p. 94). And as Jeremy Rifkin pointed out at a recent Global Sourcing Conference the declining access to low cost energy will require a new energy model. The entire world will need to rethink energy collection and distribution, which will have a significant impact on global outsourcers (Rifkin, 2008).

To conclude this section, the research questions are as follows:

1. Will CSR issues, although today not seen as important in outsourcing arrangements, become important issues in the near future, especially as global standards such as ISO 26000 become recognized?
2. Will environmental issues, especially regarding energy consumption, become a priority CSR issue for outsource buyers and providers?
3. Will outsource providers create and augment CSR capabilities to remain competitive in their markets?
4. Will buyers expect verifiable outsource provider CSR initiatives, which can be measured against industry standards?

### **3. SOCIAL RESPONSIBILITY STANDARDS**

Within the last two decades, CSR has grown from a niche position of limited interest to become an increasingly important management issue. Several industries such as apparel manufacturers, mining and forestry have created CSR standards and codes of conduct for their industries. Often these

standards were developed in response to pressures from unions, non governmental organizations (NGOs) and multi-stakeholder organizations. For example, in the 1990s Nike was forced to respond to pressure from activists regarding its low-paid offshore workers who manufactured high-price athletic goods for the very profitable company. Nike, with others in the industry, responded with a robust internal management and external industry approach to create and comply with acceptable international labour standards. (Zadek, 2004).

IT Outsourcing has similar characteristics: low-paid offshore workers delivering high-price services for profitable global companies. Should similar CSR standards apply to the ITO industry? Thus far, we have found no industry standards defined for or applied to the ITO industry.

However, at least three potentially relevant CSR standards may be appropriate to the IT outsourcing industry. The first is the Global Reporting Initiative (GRI) which provides a consistent standard for reporting CSR activities. The second is the SA8000 standard from Social Accountability International (SAI) which defines global standards for decent working conditions. Third, the ISO organization has drafted ISO 26000 which defines a set of standard practices across all industries for CSR activities.

GRI provides a "trusted and credible framework for sustainability reporting that can be used by organizations of any size, sector or location." (GRI, 2008). GRI was developed over the last ten years and is now broadly recognized by many organizations as a standard for corporate responsibility and sustainability reporting. GRI provides a public record of organizations which have voluntarily provided their sustainability reports. Interestingly, for the 2007-2008 year, with only one exception (Accenture Spain) no IT outsourcing organizations had recorded their report. Over 200 organizations, including many large global organizations, had registered with GSI at mid-year 2008. Since the reporting is voluntary, perhaps many ITO organizations have yet to officially recognize GRI and to provide their sustainability report.

SAI's SA8000 standard has been widely adopted by almost 1700 facilities around the world. Much of the *raison d'être* for SAI

came from the 1990s realization that 'sweatshop labour' and child-labour were frequently used to produce global branded products that were both fashionable and expensive. Naomi Klein's (2000) book 'No Logo' comprehensively discussed this issue: global branded products made by "workers in Indonesia who earned \$2 a day... [which] cost Nike only \$5 to make the shoes, [which sold] for between \$100 and \$180" (Klein, 2000, p. 372). SAI certification provides some assurance that products and services are delivered from facilities with fair working conditions for employees. However, a review of the SA8000 certified facilities suggests that none of the large or global IT outsourcers are certified. A few local or regional IT outsource providers are listed. The Tata Corporation, which manufactures cars and provides a wide range of services including IT outsourcing, is the only possible IT outsourcer listed as SA8000 compliant.

ISO 26000 is a working draft that has not yet been ratified by ISO members and therefore has not yet been implemented. This standard provides a guide for organizations to voluntarily adopt CSR practices. With participation from about 80 countries and many stakeholder groups, ISO 26000 will likely be recognized as a universal standard, across most industries, when it is completed. The ISO 26000 standard addresses core CSR subjects including governance, human rights, labour practices, the environment, fair operating practices, consumer issues and community involvement and development.

#### 4. LITERATURE REVIEW

The topic of corporate social responsibility and IT outsourcing has attracted academic interest in this decade, especially when services and jobs are relocated to offshore countries. The range of research and opinion is wide, from those who suggest that outsourcing is yet further evidence of unfettered, irresponsible corporate profit maximization to those who suggest that outsourcing is an attractive economic mechanism for sharing wealth globally.

Supporting the perspective of outsourcing as profit maximization, with limited benefits for most, Parayil (2005) emphasizes the growing gap between rich and poor in developing countries. This gap appears to be exacer-

bated by what he calls "informational capitalism". In his research Parayil focuses on the uneven and sharply skewed distribution of wealth as corporations export electronic information and processes to countries around the world. Parayil reviews economic data such as GDP growth, Purchasing Power Parity (PPP) and Gini index changes to conclude that rising per capita income from global IT outsourcing has not reduced wealth disparities. He suggests that the rich simply get richer as a result of offshore outsourcing. He explores "deepening income inequalities in the developing world and deepening income inequalities in the developed world after the onset of the so-called information economy" (Parayil, 2005, p. 41). Parayil examines the impact of the digital divide on national and social wealth. Citing the global information revolution, he suggests that "Unskilled labor members get trapped in the traditional ('ghettoized') economy, suffering both a digital divide and diminishing marginal returns on their 'outdated' skills." (Parayil, 2005, p. 49). He concludes that we need a global strategy to employ ICT in a meaningful way for economic developmental purposes.

Some authors suggest that ongoing and increasing outsourcing will be very disruptive. Blinder (2006) describes the world in the early stages of a third Industrial Revolution, which he tags as the information outsourcing age. He suggests that this revolution will be vast and unsettling, with significant changes in the way that we work, live and educate our children. Blinder suggests that North America and Europe will see significant displacement of a broad range of workers, many from upper educational reaches, who will be neither passive nor politically quiet. The biggest threat will come from India, where it will only take a few decades to add 300 million more skilled workers, which is about twice the size of the entire US workforce. Clearly this will be disruptive to North American society as we know it. A new social responsibility model will be needed to manage this displacement.

Jones comments that transnational corporations (TNCs) are "designed, constructed and maintained to make money for the interests that own them" (Jones, 2005, p. 92). Similar to Blinder, Jones wonders if "the seeds of a future social and political crisis may be being sown" as millions of white collar, post-

industrial, knowledge workers face structural unemployment. He concludes that IT outsourcing in the context of stateless, placeless and heartless TNCs is dangerous for society, and requires an expanded vision to "generate socially positive outcomes" (Jones, 2005, p. 97). Similarly Levy states that "reducing wages through offshoring leads to wealth creation for shareholders but not necessarily for countries or employers, and that many displaced workers have difficulty 'trading up' to higher skilled jobs." (Levy, 2005, p. 685). Levy suggests that TNCs create global labour pools, where they take advantage of those with fewer employment opportunities, little regulatory protection and weak social safety nets, which reduces the bargaining power of *all* employees. He suggests that the interests of the TNCs are "increasingly dislocated from the welfare of countries or workers." (Levy, 2005, p. 692), which echoes the national economic issues identified by Parayil.

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

governments, and civil society, "to achieve betterment for all stakeholders".

Knorringa and Pegler see outsourcing as a potential mechanism for sharing wealth on a global basis. The authors examine whether expanding global value chains (GVCs) can improve labour conditions in developing countries. They conclude that "while economic globalization pushes firms to upgrade, such firm upgrading does not, as a rule seem to also lead to improvements in labour conditions in developing country suppliers in GVCs" (Knorringa and Lee, 2005, p. 476). They propose that CSR and ethical trading, especially for global consumer branded products and services, as well as collective action towards an International Labour Organization fair-work agenda, can improve labour conditions in developing country GVC participants.

Richard De George presents a more positive view on outsourcing. He sees transnational outsourcing as beneficial and "clearly ethically justified". He suggests that "Outsourcing promotes efficiency; helps developing countries by providing jobs where unemployment is very high, involves transfer of information technology and knowledge and encourages the educational process in less developed countries so that people are trained for new types of work provided by information technology and helps cut the costs of goods and services" (De George, 2006, p. 40). However, he brings very little evidence, either quantitative economic data such as Parayil, or metaphoric examples such as Binder and Jones. De George stands alone as one of the few with broad support for global outsourcing, where societal impacts are all beneficial.

## 5. PRELIMINARY FIELDWORK

To better understand the nature of the research problem, preliminary fieldwork was conducted in April, May and June 2008. The fieldwork consisted of interviews and an electronic survey with outsourcing providers, buyers and advisors in Canada. The findings and results from this fieldwork are presented below.

### Interviews

This section describes 12 key messages derived from preliminary interviews with outsourcing buyers, providers and advisors.

The interviews were designed to provide perspective on the broader research topic of how CSR considerations affect outsourcing decisions, in IT or IT enabled services.

All interviews were conducted in the interviewee offices. The interviewees were senior executives in their representative organizations, who were initially contacted to confirm their interest in this research topic. Initial contacts were established at two industry conferences; the Centre for Outsourcing Research and Education (CORE) Global Conference and a CIO Peer Forum. Interviews included representatives from two major banks, two consumer product companies, two global outsourcing providers and three legal and accounting advisors.

The interviews provided the following 12 key messages.

1. **CSR will be driven by response to consumers issues.** Buyers mentioned that their corporations frequently respond to consumer pressures regarding CSR issues, as demonstrated by Nike. Consumer product organizations have established CSR frameworks and focus on products that may be tainted by CSR issues such as child labour or worker safety. This suggests that if the buyer does not see an issue that will concern its customers, it may not react. Financial service representatives suggested that reputational risk is an important issue in any outsourcing activity. Companies that have established CSR processes for consumer products and services may be well equipped to quickly apply those methods to an outsourcing arrangement.
2. **CSR in outsourcing is new and relevant.** Several interviewees suggested that the CSR factor in outsourcing decisions was new, they had not seen any of these issues previously, but they expected CSR to be an issue in the near future. One advisor commented on a recent client request for an explicit CSR profile in outsource RFP documents. The Centre for Outsourcing Research and Education (CORE) has just included a Social Responsibility component to their education program and will host a breakfast session on this topic in Fall 2008. Many interviewees were eager to participate in the research.

3. **Environmental topics are important social responsibility issues.** Many interviewees suggested that environmental concerns such as carbon footprint, will be important social issue in the very near future. At a recent IDC conference, called GreenIT, the conference chair commented on how rapidly the topic of environmental sustainability had developed in the last two years. A major economic driver will be the need for sustainable and environmentally friendly power, especially for data centres and related technology hubs. For example, as power costs increase and the concentration and power consumption of data centres increase, organizations must very diligent in how they design and deploy ICT capabilities. For some outsource providers, attention to environmental sustainability will be both an economic advantage and potentially a reputation advantage.
4. **An organization's brand reputation is an important CSR protection.** Several interviewees mentioned that major organizations would protect their reputation and "do the right thing" with respect to CSR. Several mentioned how the off-shore data centres look identical to North American corporate campuses. However, when second tier organizations may be involved, in less established outsourcing locales, they may be less attentive to their corporate reputation.
5. **CSR can be a competitive advantage.** One provider was very explicit in citing CSR capabilities as a definite advantage compared to other competitors, and especially when compared to second tier, or start-up, outsourcing providers.
6. **Due diligence is a key component in CSR.** Several advisors suggested that a thorough walk-through of CSR capability, in the due diligence phase of contracting, is the best way to ensure that the provider can live up to the CSR requirements of the buyer. However, no one was able to quickly identify standards or norms other than the client's own expectations for CSR. Further, one advisor mentioned that acceptable CSR norms from North America may not be relevant in other economies and societies, so a buyer should not hold its provider to the same CSR standards.
7. **Unions may play a role in CSR.** One advisor mentioned that outsourcing has social issues 'at home' when jobs are moved overseas and local employees are displaced. This issue is especially acute in a union environment, such as a data centre or back-office. Unions would like to see their membership protected, or if possible to see new members added when jobs are moved offshore. This is unlikely to occur, however unions may be an influencing factor when outsourcing working conditions are considered.
8. **Diversity has become a standard requirement for some outsourcing arrangements.** Particularly in the U.S., where legislation requires that providers demonstrate their partnerships with Minority and Women-owned Business Enterprises (MWBE) some steps have been taken to encourage diversity. However, since these rules apply mostly to government contracts which do not often result in offshore outsourcing, this requirement has been seen as more window-dressing than reality.
9. **CSR may become a flavour-of-the-month issue.** Several interviewees cautioned that CSR may become a marketing message, lacking substance, for some organizations. Organizations may quickly respond to consumer concerns with slick marketing messages rather than substantive CSR programs. One interviewee expressed caution about "green-washing" on environmental issues.
10. **Government intervention may force CSR capabilities.** In Canada at least one province has implemented a carbon tax, and others are discussing that possibility. Other jurisdictions, perhaps California, will have similar laws that impact how an organization manages its carbon footprint. For IT infrastructure outsourcers this suggests that a model that can demonstrate an efficient carbon management capability will be important. For example, outsourcing a data centre from North America to India may result in lower costs, but may result in higher carbon emissions because of the less efficient power sources. A govern-



- ment tax on the global emissions would force the buyer and supplier to reconsider how and where outsourced infrastructure services are delivered.
11. **Global CSR standards are being defined.** The International Organization for Standardization (ISO) Working Group on Social Responsibility has drafted ISO 26000 which "provides guidance on the underlying principles of social responsibility, the core subjects and issues pertaining to social responsibility and on ways to implement social responsibility within an organization." (Working Draft 4.2). When these guidelines are voted and accepted by ISO members the standards may become the global benchmark for CSR across all organizations in any industry, including outsourcing. Interestingly, none of the interviewees mentioned this standard. Similarly, the Global Reporting Initiative (GRI) which provides a uniform structure for reporting was not mentioned in any interview, although one of the interviewed firms (a bank) has registered their sustainability report with GRI.
  12. **Industry standards apply as well.** Various CSR industry related standards are starting to emerge. For example, CSR related topics are embedded in standards for the extraction (mining) industry, the apparel industry, the marine industry, the forest industry and others. As part of the Sustainability Reporting Guidelines (2006) GRI has defined standards for industry sectors, such as financial institutions, automotive manufacturing metals and mining, etc. (GRI, 2008). In Canada specific regulations have been defined for financial institutions by the Office of the Superintendent of Financial Institutions (OSFI) in Guideline B10.

### Survey

To better understand how industry participants viewed CSR issues in outsourcing a limited survey was conducted to test the wording and focus of the research questions. Appendix 1 and 2 provide an overview of the survey.

This preliminary survey provides some interesting results.

First, the environmental issues will become an increasingly important consideration in outsourcing decisions. This finding corroborates comments from the preliminary interviews which suggested that environmental topics are key CSR issues (see Message 3 in the Interview section above).

Second, although most organizations have paid little attention to CSR issues in past outsourcing arrangements, several factors suggest that this will change going forward. Emerging concerns about environmental topics, the increasing profile of CSR issues in general, the development of global standards such as ISO 26000 or industry specific standards, suggest that buyers of outsourcing services will measure their suppliers with the same standards to which they hold themselves accountable. CSR has become a topic in management education programs such as the MBA degree and the CORE outsourcing practitioner certificate. And finally, the respondents in this survey strongly agree that CSR will become much more important in the future.

### 6. INTERPRETATION OF FINDINGS

The interview and survey findings suggest several directions for outsourcing buyers, suppliers and advisors.

Buyers should begin to formalize their CSR expectations for their providers, with a likely emphasis on environmental issues that are relevant for the buyer. Given some of the cynicism that was mentioned in the interviews, buyers should be prepared to validate CSR claims from their outsource suppliers. Buyers should articulate their CSR expectations in requests for proposal (RFPs) and in contract renewal discussions. Buyers in a consumer oriented service should hold their outsource suppliers to the same level of CSR capability that consumers expect of the buyer, because the consumer does not distinguish where or how the product or service is provided. Buyers should rely on relevant standards from their industry for measuring CSR capability, for example they should consider the ISO 26000 standard as it becomes finalized as well as GRI reporting requirements.

Outsourcing providers should anticipate CSR expectations from the market. Providers who are able to demonstrate leadership in

these issues may be able to carve out a niche or defend a competitive advantage. Providers should be prepared to demonstrate their CSR capabilities, especially with respect to relevant industry standards.

Finally, outsourcing advisors should understand CSR capability issues and be prepared to work with outsourcing buyer and provider clients to resolve incompatibilities, especially regarding environmental issues.

## 7. LIMITATIONS AND FURTHER RESEARCH

The preliminary findings described above establish the foundation for the research to be conducted in the next year. The research will seek to understand the concerns of organizations regarding CSR and environmental issues in outsourcing. What are the concerns that corporations may have regarding the social cost of offshore outsourcing? Could IT outsourcing be used to distribute wealth in developing countries? How will environmental concerns impact outsourcing decisions? Research presented in this paper is limited in terms of scope and geography and should be regarded as a foundation for the next phase.

The next stage of research will rely on interviews and surveys, to understand the importance of CSR in making an outsourcing decision. This research will look at both those who make decisions to outsource and those who provide outsource services. We expect to find both parties will attest to the importance of CSR. The survey and interviews will look for evidence that CSR issues do make a difference, and what those differences may be, in awarding and executing outsource contracts. The research will be largely qualitative.

The intention is to extend this limited local survey described above with a broader set of outsourcing buyers, expanding beyond the initial set of Canadian respondents. At the same time, a similar set of survey questionnaires will be prepared for outsource providers and advisors to compare their understanding of these issues. Again, the base of participation should represent global stakeholders. One component of the research will be to compare and contrast the responses from the three stakeholder groups

to understand the gaps in their perceptions to CSR.

In addition to the survey, detailed case studies will be undertaken with receptive representative buyers, suppliers and stakeholders. Case studies will focus on a particular issue, such as environmental concerns.

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## Appendix 1

### Preliminary Survey

#### Introduction

A preliminary survey was conducted in June 2008 to understand the perspectives of outsourcing buyers on the role of CSR issues in outsourcing decisions and to confirm that appropriate questions were being used. The wider research project will compare perspectives of buyers, providers and advisors regarding CSR issues in outsourcing.

The purpose of this survey was to collect preliminary information from qualified outsourcing practitioners, so as to further develop the focus of the research questions prior to a broader survey of all three stakeholder groups.

#### Survey Methodology and Approach

The preliminary interviews described above provided an understanding of buyer attitudes regarding CSR in outsourcing. The Interview section above contains a summary of the 12 key findings from those informal interviews. The comments from the respondents helped to shape the survey questions.

The survey questionnaire was prepared using an the SurveyMonkey electronic instrument. The survey questions were based on three sources:

- 1) ISO 26000 Social Responsibility Working Draft 4.2,
- 2) Carroll's Pyramid of Corporate Social Responsibility (1991) which was extended to include environmental issues,
- 3) Key messages from the preliminary interviews.

For the survey, the Centre for Outsourcing Research and Education (CORE) identified students who had attended recent public Outsourcing Practitioner courses. These courses cover four topics: Outsourcing Essentials, Outsourcing Strategy, Governance and Relationship Management and Contracting and Performance Management. Students who attend the courses are generally executives and managers responsible for outsourcing within their organizations. The organizations are typically large Canadian corporations and governments, such as banks, insurance companies, telecommunications companies and manufacturers. Eighteen individuals were identified from the list of student attendees as outsource buyer respondents. Students who represented outsource providers or advisors were not included in the survey population. From the preliminary interviews six additional individuals were added to the list for a total of 24 potential respondents.

Surveys were emailed to respondents during the week of June 7<sup>th</sup> and the week of June 16<sup>th</sup>.

#### Survey Results

Thirteen respondents completed the survey, of which only ten responses were usable for a response rate of 42%. Appendix 2 presents the demographic profile of respondents and their organizations.

**CSR is not an issue in today's outsourcing arrangements.** Respondents were 'Not Certain' that they had considered a provider's CSR capability in past outsourcing decisions, although some respondents certainly did Agree that they had considered some CSR capabilities. With respect to the respondents' inclusion of formal CSR capability evaluation in the outsourcing evaluation, the average answer was a clear 'Not Certain'. When respondents were asked

if an outsourcer's CSR capabilities and claims had ever been validated or audited, the average answer is a clear 'Rarely'.

**CSR will become important in future outsourcing arrangements.** In this survey, outsourcing buyers are slightly above Uncertain (3.3 out of 5.0) if they would give preference to suppliers who have demonstrated CSR capabilities. However, in the future the respondents expect that CSR considerations certainly will become more important, potentially much more important (4.3 out of 5.0).

**Environment issues will become very important CSR topics in future outsourcing arrangements.** With respect to the key CSR topics, as defined in ISO 26000, that would be included in evaluation of an outsource provider, respondents unanimously identified Environmental Issues at 100%, followed by Labour and Fair Operating Practices both at 86%, followed by Human Rights at 71%, Consumer Issues at 57% and Community Involvement at 29%.

Respondents were asked to rate a series of CSR related capabilities on a five point Lickert scale from Strongly Disagree to Strongly Agree. The CSR capabilities were based on Carroll's Pyramid of Corporate Social Responsibility, with environmental capabilities added in. The survey asked for a response to twenty-five statements related to economic, legal, ethical, philanthropic and environmental CSR capabilities.

Carroll's CSR Pyramid (1991) identifies the priority of CSR capabilities as Economic (most important), Legal, Ethical, Philanthropic (least important). Carroll's model does not identify environmental capabilities. Respondents to the survey provided the following CSR capability priorities:

1. Legal – Strongly agree (4.7)
2. Environmental – Strongly agree (4.5)
3. Economic – Agree (4.3)
4. Ethical – Agree (4.1)
5. Philanthropic - Uncertain (3.2)

Interestingly respondents rated Environmental capabilities as very important, just below Legal and above Economic capabilities.

## Appendix 2 - Respondent Demographic Profile

### Annual Revenue:

Under \$1 Billion	10%
From \$1 Billion to \$2 Billion	20%
From \$2 Billion to \$5 Billion	20%
From \$5 Billion to \$10 Billion	0%
Over \$10 Billion	50%

### Organization operates in...

Canada	100%
USA	80%
UK	80%
Europe (other than UK)	60%
India	20%

China	60%
Africa	30%
Central America	30%
South America	20%
Australia / New Zealand	30%
Respondent role within organization...	
Senior Executive	40%
Manager	30%
Professional, non managerial	30%
Outsourcing responsibility...	
Direct responsibility	60%
Indirect responsibility	40%
Industry Sector	
Financial Services	40%
Manufacturing	30%
Retail	10%
Transportation	10%
Other	10%
Number of Outsourcing Decisions for Respondent in last two years	
None	10%
One or two	40%
Three to ten	40%
Eleven to twenty	0%
More than twenty	10%
Approximate number of active outsourcing contracts...	
One or two	10%
Three to five	40%
Six to ten	10%
Eleven to Twenty	10%
More than Twenty	30%
Number of outsource suppliers ...	
One	10%
Two to five	20%
Six to ten	40%
Eleven to Twenty	10%
More than Twenty	20%
From where does outsource provider deliver service...	
Canada	100%
USA	78%
UK	22%
Europe (other than UK)	22%
India	67%
Asia (other than India and China)	22%
China	11%
Approximate total annual value of current outsourcing contracts...	
From \$1million to \$5m	11%
From \$5 million to \$10m	0%
From \$10 million to \$50m	33%
From \$50 million to \$100m	22%
From \$100 million to \$500m	22%
Not sure	11%