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## Employing U.S. Military Families to Provide Business Process Outsourcing Services: A Case study of Impact Sourcing and Reshoring

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### Abstract:

This paper describes how a startup business process outsourcing (BPO) provider named Liberty Source helped a large U.S.-based client reshore business services from an established Indian BPO provider. Founded in 2014, Liberty Source is a for-profit firm that provides a competitive alternative to offshoring while fulfilling its social mission to launch and sustain the careers of U.S. military spouses and veterans who face various employment disadvantages. Thus, the case describes reshoring in the context of impact sourcing. It addresses key impact sourcing issues pertaining to workforce development, scalability, and impact on employees. The impact was positive: the workers found the employment and stable salary were beneficial, "the military" culture fit well with the workers, and workers received considerable flexibility and greater career options. Liberty Source was able to reduce a client's costs after reshoring the client's processes because Liberty Source's U.S. site had about 20 percent fewer full time equivalents (FTEs) than the original India location and because Liberty Source received subsidies. We found evidence that the offshore BPO provider and Liberty source experienced difficulties with finding enough skilled staff for the wages offered and both firms experienced attrition problems, although attrition was greater in India.

**Keywords:** Impact Sourcing, Reshoring, Business Process Outsourcing, Military Spouses, Veterans.

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## 1 Introduction

Research has long acknowledged the operational and strategic risks in offshoring business services (the practice of sourcing business services from foreign locations) and that the total cost savings from offshoring do not always materialize (e.g., Dibbern, Winkler, & Heinzl, 2008). Additionally, some research has also highlighted the broader negative sentiments against offshoring business services (just as with offshoring manufacturing) and various institutional attempts at prodding organizations to stop offshoring business services in the interest of domestic jobs (e.g., Shao & David, 2007; Thelen, Yoo, & Magnini, 2010; Khan & Lacity, 2014).

Either one of these aspects would suggest organizational interest in reshoring (bringing once offshored business services back to one's home country). First, organizations may reconsider offshoring given the many business issues associated with prior offshoring engagements (e.g., inadequate cost savings, cultural incompatibility, attrition, etc.) (Sakhivel, 2007; Wiener, Vogel, & Amberg, 2010). Organizations under pressure from institutional stakeholders or based on their own social mission may also begin to temper offshore engagements in the interest of domestic jobs (Khan et al., 2014). Finally, operational issues with offshoring and organizational interest in "doing good" for the domestic population may act in concert and interact to produce a move toward reshoring. Unfortunately, little empirical research can shed light on such conjectures.

Notwithstanding the lack of literature in this area, industry reports suggest an increased interest in service providers that deliver services from the US, especially those in rural communities and/or those with a social mission to help underprivileged domestic populations (O'Connor, Geerling, & Weller, 2014; Margulescu & Margulescu, 2014.). Broadly operating under the term impact sourcing<sup>1</sup>, such service providers focus on helping create domestic jobs and serving underprivileged populations by presenting themselves as a viable and competitive alternative to offshoring (Everest Group, 2014).

Despite the potential impact sourcing providers' potential to society and to address offshoring's traditional challenges, little work has examined this juxtaposition. Specifically, we do not know how impact sourcing providers can deliver on their promise for social value and concurrently meaningfully provide an alternative to offshoring business services. Further, we know little about how impact sourcing providers scale their operations by developing requisite talent to be a viable and competitive provider for their clients and make meaningful social impacts on the marginalized populations they seek to serve (Heeks & Arun, 2010). We address these gaps by exploring these issues using a descriptive case study of an emerging U.S.-based business process outsourcing (BPO) service provider, Liberty Source, who successfully helped a large U.S.-based client firm, AOL, reshore its once offshored business services back to the US. This case provides a unique opportunity to explore how an impact sourcing provider has attempted to create social value and provide a viable and competitive alternative to delivering business services offshore that vies to address the issues of offshoring. Thus, we address the following research questions:

**RQ1:** How do impact sourcers attract, train, and retain workers of their target population?

**RQ2:** How can an impact sourcer scale its operations if it focuses on a particular population?

**RQ3:** How does employment affect workers' lives?" In other words, does the firm make a positive social impact on the lives of its workers and their communities?

**RQ4:** How can a start-up in a high-cost country compete with India for BPO services?

**RQ5:** How do offshoring's challenges compare and contrast with reshoring's challenges?

In doing so, we contribute to the literature on offshoring business services by connecting work on impact sourcing and its social value implications to the challenges in strategically reshoring business services. Specifically, by describing a unique case of reshoring, we shed light on the capabilities of U.S. startups that seek to provide a cost competitive alternative to offshore providers, reshoring's challenges as compared to offshoring's challenges, and the potential of such social enterprises to create social value by encouraging U.S. firms to retain or return work to the US.

This paper proceeds as follows. In Section 2, we review the literature on impact sourcing and on North America's location attractiveness for BPO services to inform the research questions. In Section 3, we

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<sup>1</sup> Impact sourcing is "the 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" (Carmel, Lacity, & Doty, 2014, p. 1).

describe the research method. We also describe the case. In Section 4, we present and analyze the case findings. In Section 5, we discuss the case findings, the study's limitations, and its implications for future research. Finally, in Section 6, we conclude the paper.

## 2 Literature Review

### 2.1 Impact Sourcing Literature

As we state in Section 1, impact sourcing is an emerging phenomenon that focuses on transforming people's lives, families, and communities through employing people in digitally enabled services (Carmel et al., 2014). Phrased differently, it is to sourcing what the "double bottom line" is to business. The Rockefeller Foundation has led other organizations in promoting impact sourcing through its Digital Jobs Africa Initiative and supporting key reports by The Monitor Group in 2011, Avasant in 2012, and Everest Research in 2014. In addition to the Rockefeller Foundation, several organizations, such as the International Association of Outsourcing Professionals (IAOP, 2009; Hefley & Babin, 2013) and National Association of Software and Services Companies (NASSCOM) foundation, and scholars have begun to examine impact sourcing (Heeks, 2012a, 2012b; Lacity, Rottman, & Carmel, 2012, 2014) and its related concepts ethical sourcing (Heeks, 2012a, 2012b), sustainable global outsourcing (Babin & Nicholson, 2009, 2012; Babin, Briggs, & Nicholson, 2011), micro-work (Gino & Staats, 2012), corporate social responsibility (CSR) in outsourcing (Babin, 2008), social outsourcing (Heeks & Arun, 2010), and rural sourcing (Lacity, Carmel, & Rottman, 2011).

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, Cloud Factory, Digital Divide Data (DDD), and others (see Table 1). The impact sourcers in Table 1 have primarily targeted the poor, but other targeted marginalized populations include Native Americans (Cayuse Technologies), prisoners (UNICOR), and Ultraorthodox "Haredi" Jewish women forbidden to work with men (Matrix Global).

#### 2.1.1 How do Impact Sourcers Attract, Train, and Retain Members of their Target Population?

Many of the case studies in Table 1 describe how the impact sourcers attracted, trained, and retained members of the target population. Recruiting mostly occurred locally with a multi-pronged approach of posting advertisements in local newspapers and community newsletters and at community centers. Moreover, the impact sourcers often used job fairs, and current employees referred their friends and family. Training almost always included "boot camps" (i.e., weeks of in-person classroom training) followed by internships or work shadowing and then fulltime employment. Most studied companies had high retention because employees had few alternatives for other desirable jobs. However, absenteeism was high when members of the marginalized populations lacked childcare or transportation (Accenture, 2012; Lacity, Rottman, & Khan, 2010; Lacity et al., 2012, 2014; Monitor Inclusive Markets, 2011).

#### 2.1.2 How Can an Impact Sourcer Scale its Operations if it Focuses on a Particular Population?

Prior empirical studies have assessed scalability based on interviews with executives and based on tracking the historic employee headcount and growth in delivery center locations for a given company (Accenture, 2012; Gino & Staats, 2012; Lacity et al., 2012; Lacity et al., 2014). One can see two patterns from prior empirical research: 1) scale by adding employees in the confines of existing locations and/or 2) build delivery centers in new locations. Impact sourcers tied to a particular location planned to scale in their current delivery centers and had no plans to establish delivery centers elsewhere.

For example, Cayuse Technology was physically bound to the lands of a particular Native American tribe. Based on interviews with tribal leaders, its tribal leaders aimed to keep tribe members on the reservation by offering good jobs locally and to scale to 400 workers in its delivery center (Lacity et al., 2012). UNICOR was physically bound to the locations in U.S. federal prisons because prisoners could not leave the prison (Lacity et al., 2014). Other impact sourcers, such as Samasource and DDD, had global missions and aimed to grow considerably by partnering with other providers and by building more delivery centers in new locations (Accenture, 2012; Gino & Staats, 2012). Samasource, for example, started with

one delivery partner in 2008 and had scaled to 16 delivery center partners in six countries by 2011 (Lacity et al., 2012).

**Table 1. 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	The poor	ITO	Nepal	<a href="http://www.cloudfactory.com/social-mission">http://www.cloudfactory.com/social-mission</a>
Digital Divide Data	2001	Unemployed high school graduates ready for work/study program	BPO	Cambodia, Laos, Kenya	Accenture (2012)
Head Held High		The poor	BPO	India	<a href="http://head-held-high.org/">http://head-held-high.org/</a>
Maharishi Institute	n/a	Disadvantaged populations with high school diploma	BPO	Johannesburg, South Africa	Accenture (2012)
Matrix Global	2004	Ultraorthodox "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)	<a href="http://perscholas.org/">http://perscholas.org/</a>
RuralShores	2008	Disadvantaged populations	BPO	Multiple centers in rural India	Monitor Inclusive Markets (2011)
Samasource	2008	Bottom of the pyramid	BPO microwork	Headquarters in San Francisco; 16 delivery centers with partners in Haiti, Kenya, India, Cameroon, Zambia, Uganda	Gino & Staats (2012), Lacity et al. (2012), Monitor Inclusive Markets (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	Monitor Inclusive Markets (2011)
UNICOR	1930s	U.S. prisoners	BPO	Federal U.S. prisons	Lacity et al. (2014)

### 2.1.3 How Does Employment Affect their Lives?

Only two studies in Table 1 examined the impact of impact sourcing on the employees (Accenture, 2012; Lacity et al., 2014). Accenture (2012) examined the impact on the Native American Tribe by looking at jobs created and other economic benefits. Lacity et al. (2014) examined the effects of employment on U.S. prisoners and found benefits related to financial compensation, work-habit development, productiveness, development of business skills, and the elevation of self-efficacy and status. Overall, we need more case studies to better access impact sourcing outcomes (Heeks & Arun, 2010).

## 2.2 America's Location Attractiveness

In this section, we review the literature that helps inform the two reshoring questions (RQ4 and RQ5).

### 2.2.1 How Can a Start-up in a High-cost Country Compete with India for BPO Services?

Analyzing location attractiveness helps answer this question. Several researchers have assessed a location's relative advantage for attracting outsourcing services based on the location's financial, human resource, and business attractiveness (e.g., Dedrick, Carmel, & Kraemer, 2011; Hahn, Bunyaratavej, & Doh, 2011; Malos, 2009; Mehta, Armenakis, Mehta, & Irani, 2006; Willcocks, Lacity, & Craig, 2013). Consulting firms also rate a location's attractiveness using similar constructs. For instance, A.T. Kearney comprehensively assesses 51 countries each year. The study defines a *location's financial attractiveness* as the degree to which a country is attractive because of favorable financial factors such as labor costs, taxes, regulatory, and other costs. It defines a location's people skills and availability attractiveness as the degree to which a country is attractive because of favorable people skills and availability factors such as size of labor pool, education, language skills, experience, and attrition rates. Lastly, it defines a location's business environment attractiveness as the degree to which a country is attractive to organizations because of favorable business environmental factors such as economic stability, political stability, cultural compatibility, infrastructure quality, and security of intellectual property (IP). In 2016, A.T. Kearney's Global Services Location Index ranked India first and the US fifteenth overall across financial attractiveness, people and skills availability, and business environment attractiveness (see Table 2). Decomposing the overall ranking to its three attractiveness scores shows that the US scored higher than India on people skills and availability attractiveness and on business environment attractiveness but much lower than India on financial attractiveness.

**Table 2. 2016 A.T. Kearney Global Services Location Indices for India and United States (A.T. Kearney, 2016)**

Country	Rank	Financial attractiveness	People and skills availability	Business environment attractiveness	Overall score
India	1	3.22	2.55	1.19	6.96
United States	15	.52	2.88	2.11	5.51

From this analysis, U.S. companies need to improve their financial attractiveness to become more competitive with India. Because labor costs are the largest component of BPO costs, finding ways to lower labor costs is the key to improving location attractiveness.

### 2.2.2 How do Offshoring's Challenges Compare and Contrast with Reshoring's Challenges?

Of the 13 peer-reviewed papers we found on reshoring in ABI Inform, 11 focused on manufacturing (e.g., Arik, 2013; Ellram, 2013; Ellran, Tate, & Petersen, 2013; Fratocchi, Di Mauro, Barbieri, Nassimbeni, & Zanoni, 2013; Gray, Skowronski, Esenduran, & Rungtusanatham, 2013; Martínez-Mora & Merino, 2014). These manufacturing papers conceptualized or surveyed practitioners on the relative advantage of the US as a location for manufacturing. Only one of the studies addressed the challenges of reshoring manufacturing (Shih, 2014). The author found that American worker turnover was high because workers did not understand the nature of modern manufacturing. The author found that the workers had skill gaps in welding, machining, forging, casting, and machine operations. U.S. manufacturers that automated heavily (such as Flextronics) had fewer challenges.

As far as reshoring services, Gopalan and Madjd-Sadadi (2012) argue that the emergence of global competition could threaten India's top rank on A.T. Kearney's list, but they do not address reshoring challenges. Margulescu and Margulescu (2014) posit that the decisions of General Electric and General Motors to reshore IT could portend a broader trend. Other factors, the authors argue, also favor reshoring business and IT services to the US, such as reduced labor US-to-India cost gaps from 80 percent to 30 percent and Indian-headquartered companies' opening U.S. centers and hiring Americans to improve cultural affinity.

## 3 Research Method

To investigate the research questions, we used a case study method (Yin, 2003). A case study is appropriate when one seeks answers to "how" questions about contemporary events over which the



researcher has little or no control (Yin, 2003). One can conceive our case study on Liberty Source as a representative study that adds to other impact sourcing and on reshoring studies but also as a unique case because it is the only study that focuses on an impact sourcer's targeting military families (Creswell, 1998; Yin, 2003).

### 3.1 Case Description

This case study explores Liberty Source, a U.S.-based business process outsourcing (BPO) provider founded in 2014. Liberty Source sought to compete economically with India's BPO capabilities. To do so, it needed to find an inexpensive yet highly motivated workforce who would greatly benefit from BPO training and employment and also provide it with a competitive edge. Liberty Source found that ideal workforce among the large population of U.S. military spouses and veterans.

U.S. military spouses numbered nearly 710,000 people in 2012. Military spouses have higher unemployment rates than civilian spouses because military families relocate frequently<sup>2</sup>. One study, for example, found that military husbands' relocation was associated with a six percent increase in unemployment for military wives (Cooke & Speirs, 2005). Unemployed military spouses often work in jobs that underuse their skills and are paid lower wages compared to civilian spouses (Cooke & Speirs, 2005; Harrell, Lim, Werber-Castaneda, & Golinelli, 2004; Plantier & Durband, 2007). Similarly, veterans of the Iraq and Afghanistan wars face higher unemployment rates than civilians. Veterans often need help transitioning to civilian life (National Military Family Association, n.d.) and sometimes require accommodations for health issues (Iraq and Afghanistan Veterans of America, 2012; Strobel, 2015).

As a public benefit corporation (PBC), Liberty Source is a for-profit company. Its PBC status requires it to measure itself towards its social mission of launching and sustaining the careers of members of the military community with a particular focus on military spouses. Its social mission places Liberty Source in the emerging impact sourcing market. Globally, impact sourcing may employ as many as 561,000 people and may generate as much as US\$20 billion (Accenture, 2012; Avasant, 2012; Everest Group, 2014; Monitor Inclusive Markets, 2011). Case studies have examined companies that aim to help such varied populations as the poor, Native American tribe members, ultraorthodox Jewish women, and prisoners (e.g., Gino & Staats, 2012; Heeks & Arun, 2010; Lacity, Carmel, & Rottman, 2011; Lacity et al., 2012, 2014).

Besides serving as an example of an impact sourcer, Liberty Source also serves as an example of an organization that reshores work from India to the US. It's an "American story" about competing on price in a country with one of the highest labor costs on the planet (A.T. Kearney, 2014; Lacity et al., 2010; Rohrlisch, 2013). Liberty Source's first client, America Online (AOL), wanted to reshore financial and accounting (F&A) services from India to the US provided the U.S. prices and service levels were commensurate with its Indian-based BPO provider. Reshoring work from a mature BPO provider to a small, start-up impact sourcer was not easy, yet Liberty Source went from no employees in June 2014 to 100 employees in October 2014. Among its employees were 50 military spouses and 20 veterans. It successfully reshored AOL's financial and accounting services by January 2015. Remarkably, Liberty Source earned a positive net operating income by April 2015.

### 3.2 Data Collection

We collected data through 1) participant<sup>3</sup> interviews, 2) site visits (Liberty Source arranged for a tour of their two facilities and Fort Monroe) and 3) documents pertaining to the types of work that employees performed. Since we sought to explore firms' endeavors to create a viable offshore alternative and their social value impacts on the employees (see our research questions), we focused on finding participants in key organizational positions (Elmendorf & Luloff, 2006) who were knowledgeable about the organization's strategic aspects and participants who could meaningfully address our questions about the organization's social impact.

<sup>2</sup> Several sources document the unique challenges that military families face: <http://www.deploymentpsych.org/content/unique-challenges-military-families>

<http://www.rand.org/pubs/monographs/MG196.html>

[http://www.rand.org/content/dam/rand/pubs/monographs/2004/RAND\\_MG196.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2004/RAND_MG196.pdf)

<sup>3</sup> Although academics use the term "key informant interviews", we purposefully use the term "key participant interviews". Our prior research experience has taught us that the word "informant" was insulting to research participants when they reviewed papers during the review and approval process (Lacity et al., 2014). We were certainly concerned about labeling military spouses and veterans as "informants".

Thus, we first requested senior managers at Liberty Source for interviews and also for access to interview employees (Yin, 2003). We designed two interview guides, one for senior managers and one for the employees. For management participants, the guides had open-ended questions on their role at the company, the history of company, the nature of their work, their relationship with clients, and the process for selecting, training, and assessing employees' work performance. The employee interview guide asked open-ended questions about how the employees came to be employed at Liberty Source and the work they did (see Appendix A). To better triangulate responses for impact on worker's lives, we included questions about impacts on employee's lives in both interview guides.

We interviewed all members of Liberty Sources' senior leadership team who were present on the day of our site visit and the organization's CEO and founder/chair of its board of directors (BoD). We selected employees as follows: prior to the site visit, Liberty Source requested volunteers from among the military staff that represented different business process groups we sought to interview. Nine members of staff (including two team leads) responded. Thus, we conducted a total of 15 interviews (six with senior management members and nine with staff members) (see Table 3). Six interviewees were male and nine were female. Eleven interviewees had military families (six were military spouses, four were veterans, and one was both a military spouse and a veteran).

The interviews with the founder/chair of the organization's BoD and with its president/CEO occurred face-to-face but offsite in February 2015. The other interviews occurred in March 2015 during the site visit. We tape recorded and transcribed the interviews. Since we guaranteed participants anonymity to promote open and frank discussions, we use generic attributes when sharing direct quotes except when participants granted explicit permission to use their names and titles.

**Table 3. Liberty Source Interviews**

Interviewee job title or role	Generic title	Gender	Race	Military spouse	Veteran	Date of interview
Founder and chair of BOD	Senior	F	C			2 Feb 2015
President and CEO	Senior	M	C			2 Feb 2015
Director of finance	Senior	M	C			30 March 2015
Director of operational excellence	Senior	M	I			30 March 2015
Director of people and culture	Senior	F	C	x		30 March 2015
Account general manager	Senior	M	B		x	30 March 2015
Learning & development analyst	Staff	F	C	x		30 March 2015
Senior accountant	Staff	M	C	x	x	30 March 2015
Office administrator	Staff	F	C	x		30 March 2015
Financial analyst	Staff	F	B	x		30 March 2015
Financial analyst	Staff	F	B	x		30 March 2015
Data technician	Staff	F	B		x	30 March 2015
Financial analyst	Staff	F	B		x	30 March 2015
Software engineer	Staff	F	C	x		30 March 2015
Financial analyst	Staff	M	L		x	30 March 2015

### 3.3 Analysis Strategy

Given our study's purpose, we carefully analyzed the data using the following strategy: first, we iteratively read all interview transcripts and documents to create a timeline of major events in the reshoring initiative and in the startup phase of Liberty Source. By organizing this information, we could better understand what had happened and tell a coherent story.

Second, we went back to our data to categorize major themes and actions related to our research questions. With this step, we moved on from what happened to how it happened. With that knowledge, we could address our research questions from Liberty Source's perspective.

Third, recognizing our positions as outsiders, we sought to validate our descriptions of what and how before ascribing meaning to evidence. We did so by requesting the Liberty Source founder/chair of BOD



and the president/CEO to review our initial drafts of the case history and findings to either confirm or challenge our interpretation (Dubé & Paré, 2003; Klein & Myers, 1999). Their input enriched our explanations and corrected minor errors<sup>4</sup>. We also requested other interview participants to review their quotations and sought permissions to use them.

We further triangulated interview responses for the types of services to the client by examining process map documentation for all the business processes that Liberty Source received during the reshoring transition. Similarly, we examined the 2015 annual report of Liberty Source's parent Digital Divide Data (DDD) to confirm Liberty Source's status as a public benefit corporation with a not-for-profit parent. We also examined presentations that Liberty Source made to various stakeholders such as donors and industry participants to better understand and triangulate Liberty Source's "double bottom line" value propositions. We also took photographs during our site visit to better examine structural elements such as workspaces and cultural overtones that reflect military-themed physical spaces and branding (see Figures 3 to 6 in Section 3.4.4). Overall, by going through such documents, we triangulated our interview data and better understood the series of important events and how the case study organization came into existence and successfully helped its client reshore business services. In Section 3.4, we describe the major events.

### 3.4 Case History

In this section, we describe the major events of the case study, including the reasons AOL wanted to reshore financial and accounting services, the launch of Liberty Source, the AOL-Liberty Source contract, the establishment of the Liberty Source delivery center, the hiring of military spouses and veterans, and the transition of work from India to the US.

#### 3.4.1 AOL Wanted to Reshore Financial and Accounting Services

AOL had previously outsourced its financial and accounting (F&A) services offshore in 2005 and now sought to reshore those services. AOL decided to bring the work back to the US to have greater transparency and flexibility in providing its F&A services. It also sought to facilitate its business strategy. AOL had "pivoted" its position in the new world of online media by buying and selling companies; having a BPO provider closer than India would help acquired and divested companies integrate into the company.

AOL's reshoring initiative entailed 15 F&A services in procure-to-pay, order-to-cash, and record-to-report functions. Specific order-to-cash services included customer account setups and changes, credit checks, invoice validations and payments, collection, and cash applications. Procure-to-pay services included vendor setups and changes, purchasing, accounts payable, and discrepancy resolution. Record-to-report services included asset accounting, general accounting, revenue accounting, and income reporting. Some of these transactions were quite complex because of the nature of the media industry. Transactions often required third party validation and reconciliation before invoicing a customer to ensure that the advertising was rendered in accordance with the contractual terms<sup>5</sup>. Online media services can also be complex because the processes can include intermediaries, which can make collections, for example, more complex compared to other industries.

At the time, AOL's deputy controller could only reshore the F&A services if it was cost neutral to do so. AOL explored the feasibility of creating its own onshore captive center. A cost-neutral, domestic captive center proved difficult; rural U.S. locations did not provide enough of a labor pool and urban locations were too expensive. In the end, AOL's research yielded complex staffing issues and investment needs it did not want to take up alone. The then deputy controller called on Deborah Kops, a seasoned executive in the world of outsourcing and shared services, to revisit an idea they had previously discussed about launching a U.S.-based BPO firm that employed military families, particularly military spouses.

Serendipitously, Kops had recently become a board member to the non-profit BPO organization Digital Divide Data (DDD) in July 2013. At the time, DDD had focused on hiring youths from Cambodia, Laos, and Kenya. Kops asked DDD if it would be interested in a plan to create its first U.S. subsidiary. DDD had never launched a business in the US, but its mission statement was broad enough to envelop the new company called Liberty Source. Liberty Source was formed as a PBC subsidiary of DDD in June 2014.

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<sup>4</sup> For example, we heard one participant say "Dallas" and the transcriptionist typed "Dallas", but the participant review revealed the city was actually "Dulles".

<sup>5</sup> For example, an online media contract for advertising might have a clause such as "this advertisement must hit 2,000,000 sites". Before invoicing the customer for services, someone would need to verify those contract conditions were met.

### 3.4.2 Liberty Source Launched

Kops recruited Stephen Hosley to become Liberty Source's founding president and CEO. His prior experience included senior positions in shared services and BPO organizations at CSC, The Hackett Group, KPMG, Applied Materials, and other organizations. DDD secured credit lines and obtained cash to help set up the business. It concurrently negotiated the AOL contract based on similar scope, pricing, and service level agreement (SLA) terms as the incumbent BPO provider. The partners were to begin migrating 15 process areas from India to the US from October 2014 and to conclude in January 2015. Recognizing that transitions are often rocky, the activation date for SLA accountability was set to April 2015.

### 3.4.3 AOL and Liberty Source Contract Signed

AOL signed a three-year contract with Liberty Source in June 2014. The contract was based on FTE pricing and included about 100 service-level agreements. In the press release, the then deputy controller for AOL said:

*While our decision to enter into any business relationship is predicated upon good business sense, the fact that our partnership with Liberty Source allows us to engage with, and give back, to the military community that has served so selflessly is a benefit that can't be ignored<sup>6</sup>.*

In July 2014, the Governor of Virginia, Terry McAuliffe, announced a US\$300,000 grant from the Governor's Opportunity Fund to assist with the project. The Virginia Jobs Investment Program provided funding and services to support the company's employee training<sup>7</sup>.

### 3.4.4 Liberty Source Delivery Center Opened

Liberty Source is located in Fort Monroe<sup>8</sup> (see Figures 1 and 2), a former U.S. military post located on the coast of Virginia, 200km south of Washington, DC. Overall, Fort Monroe was an attractive location because of its proximity to a labor pool of over 30,000 military families. The metropolitan area, known as Hampton Roads, encompasses Norfolk, Hampton, Virginia Beach, and other communities. In total, 1.6 million people lived there in 2014. Fort Monroe is also close to several local universities and community colleges including Old Dominion University, William & Mary, Hampton University, and the Center for Military and Veterans Education at Tidewater Community College. Many of these institutions had expressed interest in partnering with Liberty Source to continue to develop Liberty Source employees.

Liberty Source renovated two single-story buildings that previously housed military offices. Several members of staff, their families, and even visiting guests assembled the IKEA furniture and painted walls after hours and on weekends—whatever it took to ready the facilities. One building housed about 40 workstations and the other about 60 workstations (see Figures 3 and 4). The décor was clearly military inspired. The logo, which was painted on several walls, had five upside-down Vs that resemble military stripes and that represent the five U.S. military branches—Army, Air Force, Navy, Marines, and Coast Guard (see Figure 5). The conference rooms were named after famous military spouses such as Martha Washington (see Figure 6).

<sup>6</sup> <http://liberty-source.com/media/press-releases/>

<sup>7</sup> <https://governor.virginia.gov/newsroom/newsarticle?articleId=5537>

<sup>8</sup> Fort Monroe sits on an island spanning 565 acres and houses 170 historic buildings. It was decommissioned in 2011. Fort Monroe has a rich history. In 1619, the Dutch ship, The White Lion, traded the first African slaves for supplies with British settlers there. Nearly 250 years later, Fort Monroe became known as "Freedom's Fortress" in 1861 when Major General Benjamin Butler argued that escaped slaves would not be returned to the South by declaring them "contraband". Over 1,000 former slaves escaped to freedom near Fort Monroe.

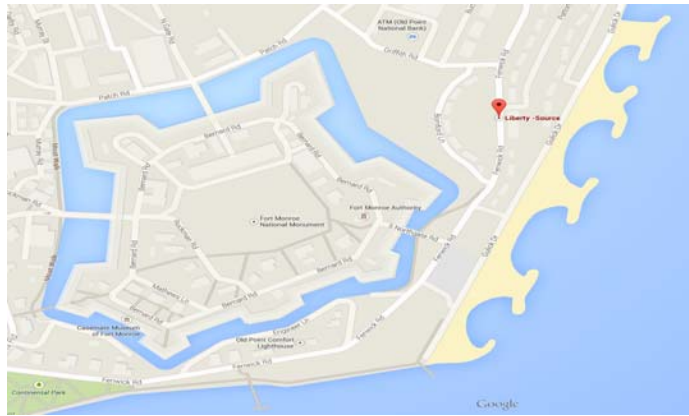


Figure 1. Map Showing Liberty Source's Proximity to Fort Monroe (Google Maps)



Figure 2. Aerial View of Fort Monroe ("Fort Monroe", n.d.)



Figure 3. Liberty Source Service Center



Figure 4. Steve Hosley, President and CEO in Service Center



Figure 5. Liberty Source Logo



Figure 6. Martha Washington Conference Room

Liberty Source decided not to build its own data center. Instead, it outsourced its information technology infrastructure to the cloud. Hosley explained why: “The power of leveraging the cloud-based infrastructure-as-a-service allowed us to be scalable and secure day one, preserving much of our capital for investment in our staff”. Liberty Source worked with cloud offerings from such companies as Microsoft, ADP, Genfour, and NetSuite.

### 3.4.5 100 Employees Hired

To facilitate the reshoring, Liberty Source hired a uniquely qualified director of operational excellence. This man had worked for AOL’s incumbent BPO provider and he had initially helped AOL move work from Dulles Virginia to Bangalore India in 2005. After the transition to India, he continued to work on the AOL account for seven years in Bangalore until he moved to another position in the provider firm in 2013. Thus, Liberty Source’s new director of operational excellence had a unique understanding of AOL’s history, processes, scope, work, and clients. Now Liberty Source needed to hire enough people capable of executing AOL’s work.

To recruit its target military spouse and veteran workforce, Liberty Source went to the hiring fairs at economic development recruiting events and at five key military bases (Fort Eustis, Langley Air Force Base, Norfolk Naval Base, Camp Perry, and Yorktown Naval Weapons Station). The CEO explained the benefit of hiring fairs at family support centers on military bases: “These venues are perfect for us because we gain access to our target population of spouses and veterans”. Liberty Source also had a website where people could apply online, and it posted jobs on social media websites targeted at military spouses. Liberty Source screened applicants for capabilities such as commitment, ability to work well with others, discipline, attention to detail, and interest in learning. Liberty Source also relied on the recruitment tool Predictive Index<sup>9</sup> that measured dominance, extroversion, patience, formality, and a number of other personality constructs.

By October 2014, Liberty Source had hired 100 employees of which 70 percent were affiliated with the military. All of the military spouses were female except one. About 83 percent of the total population of Liberty Source was female. Among the 30 percent non-military staff, some were highly skilled workers (e.g., some were certified public accountants (CPAs)).

### 3.4.6 AOL F&A Processes Reshored

The work transition—like most transitions from firm to firm—was rocky because Liberty Source had to deal with a completely new workforce. AOL understood that the transition would require patience and it gave Liberty Source a four-month grace period before holding it accountable on SLAs. Liberty Source successfully transitioned the last of its 15 process from India to the US by the target date in January 2015.

Liberty Source started measuring the SLAs before the April deadline to assess the degree to which it was on target. As of March 2015, about 70 percent of the SLAs were on target (green), 20 percent were

<sup>9</sup> <http://www.piworldwide.com/solutions/predictive-index-system/>



slightly under the required SLA but trending in the right direction (amber), and ten percent were below expectations (red). The red SLAs were in functions that required intense deadlines, such as month-end close. The Director of Operational Excellence said “We are making sure there is additional training to help our employees up the learning curve to be able to deliver those metrics”.

## 4 Case Findings

In this section, we answer our five research questions.

### 4.1 RQ1: How do Impact Sourcers Attract, Train, and Retain Workers of their Target Population?

As we discuss in Section 2, prior research on impact sourcing has found that impact sourcers have typically recruited locally and used job fairs to attract a large number of applicants. Training included “boot camps”, internships or work shadowing, and full time employment. Retention was high in most companies studied because employees had few alternatives for other desirable jobs (Accenture, 2012; Lacity et al., 2010, 2012, 2012).

Similar to prior cases, Liberty Source primarily recruited locally at military bases and at military focused job fairs near its headquarters. As we discuss further in this section, Liberty Source trained employees in processes, technologies, and professional outsourcing services. Initially, the training was ad hoc and mostly on the job, but training became more formalized by the first quarter of 2015 with the introduction of online classes and standard operating procedures. By April 2015, it took about five days to train a new employee. Liberty Source knew it could not retain military spouses at Fort Monroe in the long term due to relocations. As such, it turned military family relocations into an opportunity to expand geographically.

#### 4.1.1 Attracting the Target Worker Population: Military Spouses and Veterans

According to interview participants, the military spouses and veterans were attracted to Liberty Source because they were unemployed or under-employed; they needed good jobs. Six of the seven military spouses interviewed reported that they experienced employment challenges because they were part of a military family. They shared stories about how they had sacrificed their careers in the past due to relocations or long spousal deployments that left them as “single parents”. For example, one woman said: “It’s hard to keep a career on track when we’ve moved seven times”. Another female military spouse left a job as a project manager when her husband was relocated six hours away. After that, she was unemployed for four years until she found work at Liberty Source. One military spouse with two degrees (BA and AA) only found work in retail or restaurants because of her family’s frequent relocations. She said: “I have heard employers say, ‘Why even interview her? She’ll leave in three years’.”. Another military spouse said:

*Prior to me becoming a mom, I would have said [the greatest challenge as a military spouse] was being able to keep my career going. I will tell you that the single biggest challenge now that I have is doing everything completely alone. I might as well have gone out and decided I wanted to be a single mother.*

Four of the five veterans also shared stories of employment challenges after they completed their military service. They felt that they had learned valuable skills in the military but feared that their military experience would not translate into or would not be valued by civilian companies. One veteran, for example, had years of experience with financial and accounting systems in the Navy, but, when he interviewed for positions in civilian companies, discovered that the civilian technologies and terminologies differed. He appreciated that Liberty Source gave him an easy transition from military to civilian work. Another veteran recently completed his accounting degree and had interviewed with several civilian companies, but none resulted in a job offer. At Liberty Source, he was offered a good job and earned a promotion to team lead in three months. Another staff member, a single mother of three children and a veteran since 2012, had difficulty finding work after the military. She said that “The job opportunities were not as abundant as I thought they would be”. She moved back to Hampton Roads to be close to her extended family. She had not found any work until Liberty Source.

### 4.1.2 Training Military Spouses and Veterans

Many of the military spouses working at Liberty Source had college degrees. In the first quarter of 2015, about 48 percent of Liberty Source's military hires had Bachelor's degrees and about 20 percent had Master's degrees. Many spouses had chosen online degrees from large virtual universities such as University of Phoenix and Southern New Hampshire University so that relocations would not interfere with their education. Although well educated, many of the newly hired employees were not yet ready for work. They had to learn how to behave and interact with a sophisticated multinational company. They also had to learn AOL's processes, software, and standards of professional outsourcing service delivery.

**Client process training:** learning the AOL processes from scratch was particularly difficult because the staff had no real-life experience with this type of work or with supporting systems. AOL managers were committed to make this transition successful, so they travelled down to the center to lead the employee training onsite at the Liberty Source center. Some AOL managers discovered they had lost detailed knowledge about some of the processes. Several of the process playbooks sent from the incumbent BPO provider were outdated. Hosley explained: "What some of the AOL managers found was that because the previous service provider operated in such a veiled manner, many of the processes had changed or were changed. This added another level of [training] complexity." Interviewees described conquering the learning curve as "trial by fire", "trial and error", and "we had to just figure it out".

**Software training:** the new employees also needed technical training on tools such as Excel and Access and on large commercial software packages such as SAP and Salesforce.com. New hires all received Six Sigma white belt training. Kops explained: "These are valuable brands they can add to their resumes".

**Professional outsourcing skills training:** any of Liberty Source's new employees had worked in retail or food service jobs. Some employees with accounting degrees had worked, for example, as bookkeepers in small businesses, but they generally did not have experience working for a large multinational operation supporting a brand such as AOL. Outsourcing service delivery requires—at times—employees to work extra hours to meet deadlines. It also requires professional interactions with clients. Some military spouses did not initially recognize professional boundaries with clients, such as divulging too much information on client calls. Hosley attributed these behaviors to the spouses' "authenticity". He said: "They are honest, hardworking, and really want to do the right thing. What I have found is that a lack of soft skills and business acumen can make for some choppy client interactions that can be almost too authentic."

Some military spouses took any critical feedback about job performance personally and emotionally. Liberty Source had to train employees to understand professional feedback and how to resolve client issues in a professional manner.

Liberty Source's director of people and culture taught business communication classes internally. She also invited guest lecturers, such as the CEO. Hosley said, "I sat in and talked about communicating with people—what does your body language say? We talked about social cues and inflection points." Additionally, Liberty Source did quite a bit of on-the-job coaching as events warranted. Kops also used her network of shared service experts from top companies such as American Express, SC Johnson, and Walgreens to give Liberty Source's new hire managers one-on-one monthly coaching. Kops said: "They coach as part of their CSR mission. It's great because it teaches our managers that they are part of the larger services ecosystem."

### 4.1.3 Retaining Military Spouses and Veterans

Liberty Source knew it could not retain military spouses at Fort Monroe in the long term due to relocations. It understood that, on average, the military redeploys military staff members every three years. However, one can forecast and plan for this attrition unlike in other workforces. Liberty Source employees who relocate could work remotely and help attract other military spouses to work at Liberty Source. As of April 2015, two military spouses had already relocated and continued working for Liberty Source from their new homes in Texas and Tennessee. Over time, Liberty Source hoped to build out and formalize a virtual spouse network to support geographic coverage for its clients. The director of operational excellence explained: "We have a vision to expand geographically. Wherever a military base exists—San Diego or Japan or wherever—we definitely want to look at a virtual spouse network."



## 4.2 RQ2: How Can an Impact Sourcer Scale its Operations if it Focuses on a Particular Population?

Prior research has found two patterns for how an impact sourcer scales its operations. Some impact sourcers only intended to grow in their existing delivery centers, and others intended to expand considerably by partnering with other providers or by building more delivery centers (Accenture, 2012; Gino & Staats, 2012; Lacity et al., 2012, 2014). Liberty Source falls in the latter category.

As several company members conveyed, Liberty Source had ambitious business and technology plans for its first few years. The company aimed to secure four or five contracts within three years of launch and hoped to increase the scope of work with AOL. Beyond three years, it hoped to scale nationally and even globally. To do so, respondents indicated that Liberty Source would need to find new ways to complete. Liberty Source reported that it intends to expand its business beyond Fort Monroe. In the three years after launch, Liberty Source planned to expand geographically by inviting military spouses who were relocating to continue employment remotely. It also considered expanding in size by building new delivery centers near other U.S. military installations. With 710,000 military spouses, Liberty Source could easily scale its model by opening facilities in other military communities if it chose to do so.

## 4.3 RQ3: How Does Employment Affect Workers' Lives?

Most military spouses and veterans identified multiple benefits from working at Liberty Source. Besides the obvious financial benefits, participants reported that they benefited emotionally from Liberty Source's military friendly culture and from the opportunities available in a start-up company.

### 4.3.1 Work Flexibility

Military spouses and veterans reported that Liberty Source allowed employees to work from home or shifted their schedules as life events warranted. One female military spouse said:

*Working here is much more convenient for a military spouse than probably any other company in this area. Nobody else would want to hear [my husband] went to Japan, but my supervisor would support me and say, "take your laptop home".*

Another military spouse had two small children (one with a disability). Although the Liberty Source job did not pay her as much as another company offered, she accepted the Liberty Source offer because of the accommodating culture. She reported that the hours were flexible to accommodate her family's needs. She said, "[Liberty Source] is an employer who's flexible enough to understand that I have four to five appointments a week with my son". Several other military spouses also reported that they worked from home when their children were ill.

### 4.3.2 Emotional Support

Being surrounded by other employees from military families created a tight and supportive community. One woman reported that her husband worked 20 hours each day for 45 days straight without a day off. When asked about support, she reported "you rely a lot on the military spouse community which is why I think this is a great environment because when those transitions are happening, we all lean on each other".

Hosley expounded on Liberty Source's supportive culture: "If a new military spouse moves to the area and doesn't know anyone, they are welcomed by the other military spouses. Now they work along a lot of other spouses on a team. There is a great affinity for them.". As another example of Liberty Source's supportive culture, Hosley explained what happened when the government informed the military spouses the night before it deployed troops to fight against the Islamic State of Iraq and Syria (ISIS): "The military families were informed, so there were spouses at work crying. Some of their spouses were supposed to come home but their duties were extended. But the spouses rallied together. They supported each other. That was powerful.". Liberty Source also gave workers time off when their spouses returned from active duty. Hosley said: "We are totally respectful of those types of events". Liberty Source was also respectful that the military families did not want to be posted on social media because military families value their privacy.

### 4.3.3 Opportunity Knocks

Several interviewees mentioned they liked working for a start-up because of the opportunities. One female staff member said: “I can see the dream”. The Director of Finance said: “How often do you get an opportunity at a young age with a start-up to help build a company?”. Another military spouse took a position in accounting at Liberty Source even though she detested accounting work. She took the position because she knew there would be plenty of opportunities beyond accounting. She said, “At Liberty Source, it’s an opportunity; it’s a start-up. As soon as I got my foot in the door, I knew I’d be able to do something besides accounting.”. And she did—she was promoted to a management position within a few weeks. She also added that job boundaries are blurry in a start-up, which brings a high level of task variety:

*I love this job...It's not the same thing every day. I can't predict and tell you what's going to happen tomorrow. It's managing multiple balls in the air, it's multi-tasking, it's ever changing. One day I'll be painting a wall and the next day I'll be managing all of our social media content.*

## 4.4 RQ4: How Can a Start-up in a High-cost Country Compete with India for BPO Services?

Kops said that: “More than anything else, we aim to be a viable commercial enterprise because, without that, we can’t compete.”. Indeed, the literature suggests that business services providers must compete for business based on costs, quality of work, ease of engagement, and low business risks (Dedrick et al., 2011; Hahn et al., 2011; Malos, 2009; Mehta et al., 2006; Willcocks et al., 2013; Willcocks, Lacity, & Craig, 2015). In general, labor costs are the greatest challenge facing BPO providers in high-cost countries such as the US (AT Kearney, 2014). Liberty Source, as a business focused on earning profit, could compete with India based on total cost of ownership (TCO). Although Liberty Source paid higher wages compared to wages in India, the TCO was lower when one considered transaction costs, productivity rates, and financial support from outside resources. Overall, Liberty Source leaders reported that it delivered the same volume of service with 15 to 20 percent fewer people.

### 4.4.1 Higher Labor Costs

The average wage for a BPO worker at Liberty Source was about US\$30,000 per year (gross) in 2014. This wage was higher than the average Indian wage for a BPO worker with three years of experience<sup>10</sup> and more money than what many military spouses earned in retail and bookkeeping. However, Liberty Source’s average BPO salary was lower than the salaries paid by other local back-office operations and the employees knew it. One military spouse said: “For a start-up, some are a little more accommodating towards the salary but I definitely feel like I’m being, for lack of a better term, low-balled.”. Another military spouse said: “We pay these people like \$10.50 to \$11.00 an hour and they are some of the most dedicated, hard-working, committed to the mission, people that I’ve ever had the privilege of supporting.”. Liberty Source’s leaders know that, in the longer term, they will need to find ways to raise salaries without raising the price. They decided that automation would be one such approach.

### 4.4.2 Lower Transaction Costs

Research has shown that offshore outsourcing has higher transaction costs (i.e., the administrative costs associated with engaging a provider) than domestic outsourcing (Carmel & Tjia, 2005; Lacity & Rottman, 2008). The extra costs come from increased efforts in knowledge formulation and coordination (Kanawattanachai & Yoo, 2007) and increased boundary spanning (Levina & Vaast, 2008; Mahnke, Wareham, & Bjorn-Andersen, 2008), the need for more controls (Choudhury & Sabherwal, 2003), and difficulties in managing dispersed teams (O’Leary & Cummings, 2007; Oshri, Kotlarsky, & Willcocks, 2007). Liberty Source, as a domestic provider for AOL, had lower transaction costs than the Indian-based provider. According to Hosley, “By delivering processes from an onshore location, Liberty Source drives further efficiencies by eliminating many of the challenges inherent in offshore outsourcing.”.

<sup>10</sup> Average Indian BPO wage for three years of experience was INR3,00,000 to INR4,25,000 in 2014 or about US\$5,000 to \$7,000. Source: <http://www.naukrihub.com/salary-in-india/bpo.html>

### 4.4.3 Higher Productivity

Our interviewees reported that, when the work was performed in India, the BPO provider billed AOL for 110 FTEs. In contrast, Liberty Source billed for 90 but with higher rate cards. These numbers suggest that Liberty Source had higher labor productivity, better used labor, and/or less billing padding. One interviewee explained that: “The mix of who we have vs. the mix of who India had is different.”. Hosley added: “There was less need to for ‘air cover’ and filtering for communication that took place in middle management, less bench associated with attrition, and less overhead in a new BPO build out.”. Several interviewees also claimed that individual workers were highly productive. One leader said: “We plan on saving AOL money—we will use fewer FTEs to do the same amount of work because our workforce is highly educated and are willing to work to get the job done.”. This productivity extends to the leaders as well. For example, the director of finance said:

*I know the budget. In order to reduce the costs where I can, I'll do it. So if it's painting walls, hanging pictures or building furniture, I'll do it; I am more than capable of doing it and I do not want to pay someone else to do it. I want to see the business be successful.*

Kops explained that military families are highly productive and are known for their “get the job done at any cost” attitude.

### 4.4.4 Outside Resources: Subsidies

Liberty Source's social mission enables the firm to lower its costs by obtaining money not available to strictly for-profit entities. Kops explained: “We are a for-profit owned by a not-for-profit. We are willing to accept help from organizations that share our vision around helping empower spouses. We can go out and ask for resources we couldn't get otherwise.”. Donated resources include hardware, software, and advising. Many advisors have donated their time, including consultants, lawyers, and executives. Kops stated: “Many advisors in the outsourcing space have said, ‘tell us what you want us to do and we will help’.”. Liberty Source was profitable because, as one leader explained, “we could bill the client quickly and received subsidies on rent, donations for routers and supplies, a little financial help with training, and grants from several places”<sup>11</sup>.

### 4.4.5 Automation

Going forward, Liberty Source intended to automate high-volume, low-complexity processes to better compete with other BPO service providers]. It engaged Genfour, a new breed of automation provider focused on robotic process automation (RPA), to help. Although RPA connotes visions of physical robots wandering around offices performing human tasks, the term really means using software to automate processes that humans previously performed. When RPA providers speak of “a robot”, they really mean one RPA software license (Lacity et al. 2015). On average, one RPA software license performs the work equivalent to two to five FTEs.

Liberty Source was passionate about RPA in part because it was something that would strengthen its value proposition to its existing customer. Because the AOL contract was essentially based on FTE pricing, Liberty Source planned to share operational benefits from automation with AOL. One possible scenario was that Liberty Source would develop a rate card for a “robotic” worker. The director of operational excellence offered this hypothetical scenario: “So if today we are billing them for, say 90 FTEs, and if we deploy machines to reduce headcounts by five people, we might then bill them for 85 people plus a machine cost.”. Liberty Source was reticent to estimate the percentage of current processes suitable for automation, but a recent survey found that 81 percent of clients think at least 25 percent of current back offices are automatable (Lacity, Willcocks, & Yan, 2015). Liberty Source would also use a blended human and machine workforce to compete for new clients.

## 4.5 RQ5: How do Offshoring's Challenges Compare and Contrast Reshoring's Challenges?

Since we could find no literature to directly answer this question for services, the Liberty Source case also provided a rare opportunity to directly compare offshoring and reshoring. AOL moved its financial and

<sup>11</sup> <http://www.irpanetwork.com/benefits-of-rpa/>

accounting processes from Virginia to India in 2005 and then from India to Virginia in 2015. Liberty Source’s Director of Operational Excellence helped with both transitions. When asked the similarities and differences of offshoring and reshoring, he said there were more similarities than differences. The main challenges on both shores were to find skilled resources at the salary levels offered and employee attrition.

In India, the company found it difficult to find staff for phone collections and other client-facing processes. The director of operational excellence said: “It was a challenge in India because of the accents”. It also found attrition a challenge in India because of the strong competition in Bangalore. The director of operational excellence explained: “The grass is always greener on the other side, so people exit.” In the US, the company found it difficult to find enough skilled accounting resources among the targeted employee population of military spouses. Liberty Source’s attrition was higher than desired because some people sought higher financial compensation and some employees did not anticipate the stress of working overtime to meet client deadlines for some of the more urgent processes. However, Hosley indicated that turnover was “still much lower than in India”.

Several of Liberty Source’s employees said that Liberty Source’s salaries contributed to employee turnover. In the short term, Liberty Source’s leadership recognized the domestic salary discrepancy and viewed some employee turnover as contributing to its social mission of providing the first rung towards higher-paying jobs. Hosley explained: “Even though attrition is painful to our operations, we are proud if they find a better job because we feel part of the equation that helped them succeed.”. Kops added that it was particularly acceptable if the client hired a Liberty Source employee and paid the employee higher wages. She said: “If our clients want to use us as a farm team and want to hire one of our employees, that also meets our social mission”.

## 5 Discussion

Recent reports suggest an increased interest in bringing once-offshored manufacturing back to the US (Tate, 2014; Boston Consulting Group, 2015). Scholars attribute this resurgence in reshoring to a confluence of macroeconomic, operational, and strategic factors but also to political and institutional calls for bringing jobs back (Tate, 2014; Ellram, 2013; Ellram et al., 2013). When it comes to business services, however, the trend is not as clear. With this study, we describe a unique case that involved a major U.S. client’s reshoring its business services for primarily strategic reasons. However, the client engaged a startup impact sourcer whose social mission involved creating opportunities for military families by bringing and/or retaining jobs in the US. In doing so, the client addressed its ongoing operational and strategic issues with offshoring but, at the same time, helped create jobs in the US. We examine how the impact sourcing provider attracted, trained, and retained the marginalized workers it endeavored to help while scaling its operations and providing quality services at competitive costs when compared to traditional offshoring.

Table 4 summarizes our findings and compares them with prior literature.

**Table 4. Comparison of Prior Research to Current Case Study Findings**

	<b>Prior research</b>	<b>Liberty Source</b>
<b>RQ1a: How do impact sourcers attract workers of their target population?</b>	Target advertising near the delivery center and offer good jobs perceived as rare in the vicinity.	Target advertising near the delivery center and offer good jobs perceived as rare in the vicinity.
<b>RQ1b: How do impact sourcers train workers of their target population?</b>	Boot camps and internships.	Provide on-the-job training initially and, subsequently, provide more formal online courses and standard operating procedures.
<b>RQ1c: How do impact sourcers retain workers of their target population?</b>	Not applicable: retention generally high due to few alternatives for good jobs in the vicinity for members of the marginalized population.	Retain military spouses after relocation by allowing them to work remotely from new location. .

**Table 4. Comparison of Prior Research to Current Case Study Findings**

<p><b>RQ2: How can an impact sourcer scale its operations if it focuses on a particular population?</b></p>	<p>Two models: location-bound impact sourcers typically scale only in their existing centers; other impact sourcers with broad missions—such as eradicating poverty—scale by opening multiple delivery centers and by partnering.</p>	<p>Expand its existing location and create a virtual workforce when spouses relocate. Opening new delivery centers is also possible given the size of the U.S. military community.</p>
<p><b>RQ3: How does employment affect workers' lives?</b></p>	<p>It provides financial benefits, helps develop work habits, occupies time productively, develops business skills, and elevates self-efficacy and status.</p>	<p>Provide financial benefits, work flexibility, emotional support, and opportunities for career advancement.</p>
<p><b>RQ4: How can a start-up in a high-cost country compete with India for BPO services?</b></p>	<p>High-cost countries such as the US compete strongly on human capital and business environmental attractiveness; US competes poorly on cost; impact sourcers help reduce costs by paying lower wages, having lower attrition, and having lower transaction costs.</p>	<p>Liberty Source lowered costs by using fewer human resources than offshore BPO, by attracting outside resources to avoid expenditures, and by automating work.</p>
<p><b>RQ5: How do offshoring's challenges compare and contrast with reshoring's challenges?</b></p>	<p>We found no specific research for services. In manufacturing, worker turnover is high due to skills and expectation gaps when reshoring to the US.</p>	<p>They both include finding skills resources at the salary levels offered. In contrast, rare skills in India were accent neutrality and rare skills in the US were accounting skills. Attrition a problem in both India and US but greater in India.</p>

### 5.1 Limitations of Current Research

This research has several limitations. Overall, a single case study has weak external validity (Yin, 2003). Key participant interviews have two main drawbacks: informant bias and random error (Marshall, 1996). We did not select the Liberty Source staff members at random. They volunteered to participate and, thus, may not represent the employee population. Researchers recommend multiple interviews per site to compensate for the weaknesses of bias and errors (Seidler, 1974). For this case, we interviewed 15 key participants, 11 of which were military spouses or veterans. Assessing the extent to which participants' information is consistent can demonstrate reliability (Tremblay, 1957). We heard consistent views on the employment challenges facing military families and about Liberty Source's recruitment, onboarding processes, and culture. We heard inconsistent views on the level of turnover, but consistent views about its causes (relocation, low salaries, and stressful deadlines). Additionally, our work has bias in that we only examined the story's U.S. side. We did not collect any data from India, which raises questions such as: what effects did reshoring have on the offshore company and its employees? On a bigger issue, if reshoring does become a large trend, how will it affect countries such as India, China, and the Philippines?

Additionally, interview research also takes on the form of an exchange relation (Evans, 2012): researchers often feel they "owe" something to the participants, which can influence what researchers write. During the participant review process, two participants asked us to delete some of the more colorful quotations and subplots. While we accepted these edits, we admit that there is always a "political aspect" to interpreting qualitative data (Denzin, 1994).

### 5.2 Implications and Directions for Future Research

This paper has the following implications for future research. First, while research on offshoring has long highlighted risks and operational challenges with offshoring business services (e.g., Dibbern et al., 2008), little empirical work on reshoring once-offshored business services exists. This paper describes how one large organization reshored services and the challenges it faced in reshoring in comparison to offshoring those same services. Future research may examine whether the issues organizations face in traditional offshoring may be reaching a threshold that could indicate a greater trend toward reshoring. Studies focusing on offshoring decisions are also better off including variables that more meaningfully capture organizational assessments of offshoring issues in decisions to curb or avoid offshoring. At the same time, it would be prudent to examine whether challenges in reshoring (e.g., greater costs, difficulty in garnering talent, etc.) may outweigh organizational desires to bring services onshore.



Similarly, while some research suggests that organizations recognize the broader sentiments against offshoring (e.g., Khan, Meyers, & Lacity, 2014), we highlight a reshoring effort that happened in the context of helping create domestic jobs among marginalized populations. As our data suggest, the client firm chose to bring business services onshore because it found a strong and competitive alternative to offshore providers in Liberty Source. However, the client considered the notion that the client firm helped create domestic jobs as an added bonus. Thus, future research that examines offshoring decisions may benefit from more explicitly including institutional influences against offshoring, organizational framing of social responsibility, and broader economic climate in conjunction with traditional offshoring drivers of costs and strategic benefits.

## 6 Conclusion

Sourcing research has focused on economic and strategic management theories that view sourcing decisions as rational decisions aimed to reduce costs and mitigate risks (Argyres & Zenger, 2012; Karimi-Alagheband, Rivard, Wub, & Goyette, 2011). Empirical research has shown that outsourcing and offshoring can produce business benefits if client organizations build sourcing capabilities and enact management practices (e.g., Carmel & Tjia, 2005; Choudhury & Sabherwal, 2003). Beyond this economic/managerial view of sourcing are the political and social views that influence sourcing decisions (e.g., Thelen et al., 2010; Heeks & Arun, 2010). Citizens want companies to keep good jobs in their respective domestic borders. People want to uplift marginalized populations and meaningfully engage them in the white collar jobs associated with providing business services. How can companies navigate these competing logics for economic efficiency, public perceptions against offshoring, and social missions to help underprivileged populations? Case studies such as ours allow one to peer into organizations tussling with these issues, but we need more research to answer this question.



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## Appendix A: Employee Interview Guide

### Part I. Administer the informed consent form

### Part II. We want to better understand the unique challenges facing military families.

- Are you a civilian currently married to an active-duty service member? Or are you a veteran? (Note: about 20% of Liberty Source's employees are veterans; the rest are military spouses)
- What is you or your spouse's service? (Army, Air Force, Navy, Marines)
- For how many years has you or your spouse been an active duty service member?
- For how many years have you and your spouse been married?
- How many children under the age of 18 live at home with you? What are their ages?
- How many times have you and your spouse relocated more than 50 miles for military-related reasons? How long ago was the last such move?
- What is the highest grade or academic degree you have completed?
- How has your or your spouse's military career affected your work or education opportunities?
- What are the three toughest challenges you face as a military family?

### Part III. We essentially want to hear the story of how you came to be employed in this job

- When and how did you first hear about Liberty Source?
- What made you want to apply to this company?
- When did you apply?
- What was the process for getting selected?
- When were you selected?
- Please describe the training you were given (type of training; duration of training)

### Part IV. Next we want to hear about your job and how that may have changed over time

- Tell us about the first few days on the job—what work did you do?
- What was difficult about this job in the beginning?
- What did you do if you had questions or needed help?
- Who is your boss?
- Has the type of work you do changed over time?
- Which of the following phrases best describes how well your qualifications match the work you do in your job?
  - I am greatly overqualified for the work
  - I am somewhat overqualified for the work
  - My qualifications are appropriate for the work
  - I am somewhat under qualified for the work, or
  - I am greatly under qualified for the work.
- How is the quality of your work determined?
- How much are you paid?
- How many hours a week do you work?
- Can you describe a problem you've had at work and tell us how it was resolved?
- What do you like best about this job?
- What do you like least about this job?
- How would you rate your overall job satisfaction on a scale of one to seven with one indicating very low job satisfaction and a seven indication very high job satisfaction?

### Part V. Finally, we want to understand how this work program affects your current and future life

- How does the money you are earning help your family?

- How does the opportunity to work here affect your life?
- If you didn't have this job, what work would you likely be doing?
- Will this opportunity be helpful to if your spouse relocates?
- What do your family and friends think of your working in this job?
- Is there anything else you would like to share with us about your job or your life as part of a military family?

**Part VI. Thank the participant for their time**



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