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Dr. Ron Babin

Ted Rogers School of Management, Ryerson University, Toronto, Canada, M5B 2K3, rbabin@ryerson.ca

Dr. Brian Nicholson

Manchester Business School, The University of Manchester, Manchester, UK, M15 6PB, brian.nicholson@manchester.ac.uk

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CORPORATE SOCIAL RESPONSIBILITY IN GLOBAL IT OUTSOURCING: A CASE STUDY OF INTER-FIRM COLLABORATION

Dr. Ron Babin, Ted Rogers School of Management, Ryerson University, Toronto,
Canada, M5B 2K3, rbabin@ryerson.ca

Dr. Brian Nicholson, Manchester Business School, The University of Manchester,
Manchester, UK, M15 6PB, brian.nicholson@manchester.ac.uk

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Abstract

This paper examines the intersection of corporate social responsibility (CSR) and global information technology outsourcing (GITO). The growing business participation in global CSR standards such as the Global Reporting Initiative, ISO 26000 and the UN Global Compact, demonstrates that CSR issues are important to buyers and providers of outsourcing services. The case study examines the outsourcing relationship between Co-operative Financial Services (CFS) and outsource provider Steria. Specifically we report on how aligned CSR priorities of the buyer and provider may identify opportunities for CSR collaboration. Based on Lewicki and Bunker's (1990) work on trust, the paper argues that collaboration benefits for both the buyer and provider may be realised in the areas of: 1) workforce efficiencies, 2) increased communication, and a 3) higher level of commitment to work through challenges in the outsourcing relationship.

Keywords: Outsourcing, Social Responsibility, Trust, Collaborative CSR

1. INTRODUCTION

This paper is focussed on how collaboration on CSR projects may contribute to the development of trust in a GITO relationship. Collaboration is a co-operative arrangement in which two or more parties work jointly in common enterprise toward a shared goal. This implies close partnering, developed over and for the long term distinguished by reciprocity risk sharing, investment of resources and time (Kern and Willcocks, 2000). We define trust as a characteristic of the working relationship between two organisations, i.e. between an outsource buyer and an outsource provider, that helps to maintain strong and effective collaboration between the two parties (Lewicki and Bunker, 1996; Sabherwal, 1999).

Prior research has argued that collaborative partnership arrangements between outsourcing buyer and provider are important particularly when involving innovation or when mission critical applications have been outsourced (Willcocks, Cullen et al., 2011, p. 128). There is significant literature that explains the mechanisms and practices of how trust is fostered in a partnership outsourcing arrangement (Sabherwal, 1999; Kelly and Noonan, 2008). However, to date there has been no examination of the specific role of CSR in the trust building process. This paper aims to fill the gap in the literature and improve our understanding of how buyer and provider collaboration on CSR projects may contribute to trust.

The role of CSR is steadily rising in business although surprisingly relatively little research has been conducted on CSR in outsourcing arrangements. “There can be little doubt that CSR is increasingly prominent theme in business. Even the sceptics acknowledge this” (Moon, 2007, p. 299). The Economist reports that the priority that executives give to CSR issues approximately doubled in three years from 2005 to 2008 (Franklin, 2008). The Global Reporting Initiative (GRI) has tabulated the number of corporate CSR reports filed annually since 1999, growing from nine in 1999 to approximately 1900 in 2010. According to GRI, from 2006 to 2011, the yearly increase in uptake ranged from 22 to 58 percent. (2011)

A growing body of research examines the motivations for organizations to embrace CSR which can be grouped into three themes. Firstly, organisations embrace CSR “to do well by doing good” (Falck and Heblich, 2007; Berthon and Lacy, 2010) which also includes integrating social and financial returns (Emerson, 2003). Secondly organisations use CSR to protect the corporate brand and reputation (Lewis, 2003; Werther and Chandler, 2005; Lai, Chiu et al., 2010). Thirdly, CSR is embraced to gain overall competitive business advantage (Porter and Kramer, 2006; Berns, Townend et al., 2009; Porter and Kramer, 2011).

CSR is also seen as a mechanism to build trust. Sagar and Singla (2003) describe the importance of trust and respect for businesses, which is exemplified by CSR, in the Indian economy. Accenture, an outsource provider, has described the importance of trust as a scarce commodity which can be built “around the pillars of environmental stewardship, social impact and responsible corporate governance.” (Lacy, Teo et al., 2010, p. 8). This paper contributes to this discourse of CSR building trust, in relation to outsourcing arrangements which is hitherto unexplored.

The research question this paper seeks to answer is this: How does collaboration on CSR projects affect trust in an outsourcing relationship?

Our motivation for this research is to better understand how CSR can enhance the buyer-supplier outsourcing relationship, which has been suggested as key to success “in achieving their expected outsourcing objectives” (Kern and Willcocks, 2002, p. 3). One research study suggests that the quality of the outsourcing relationship may contribute “at least 30% of the annual contract value” (Enlow and Ertel, 2006, p. 51). Our research focuses on the trust component in the outsourcing relationship and how trust can be enhanced through collaborative CSR activities.

The empirical basis for the paper is a case study that reveals how collaboration on a CSR project between outsource buyer and provider builds trust in the relationship. This case study is considered revelatory because the researchers had access to detailed, relevant and complete data and opportunity to analyze the phenomenon of collaboration in CSR across buyer and provider firms which was previously inaccessible.

This paper is structured as follows. First, we review literature on collaboration in outsourcing and introduce the conceptual frameworks that are used to analyse the case study. Second, the methodology is described for the Co-operative-Steria case study. Third, the case is described and analysed with a focus on how the two organizations collaborate on a social project for schools in India. Finally, the paper concludes with the contribution to theory and practice.

2 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1 Corporate Social Responsibility

What is corporate social responsibility? Matten and Moon (2008, p. 405) define CSR as a “clearly articulated and communicated set of policies and practices of corporations that reflect business responsibility for some of the wider societal good ... CSR is differentiated from business fulfilment of core profit making responsibility and from the social responsibilities of government.” Others state that CSR is a concept that overlaps with business ethics, corporate philosophy, corporate citizenship, sustainability and environmental responsibility (Crane, Matten et al., 2008). McWilliams et al. (2006, p. 1) define CSR as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law”.

Buyers and providers of outsourcing services have increasingly embraced CSR issues. Since early reports on this topic (Babin, 2008; Babin and Nicholson, 2009) the volume and intensity of CSR discussion in outsourcing has grown considerably. For example, the International Association of Outsourcing Professionals (IAOP) established a CSR Committee in 2009 with the goal of defining a CSR guide for the outsourcing industry; the Global Sourcing Council (GSC) recognises leaders in CSR with an annual Sustainable and Socially responsible Sourcing (3S) award; in 2010 the International Association of Outsourcing Professionals (IAOP) began to evaluate the CSR profile of applicants to the Global Outsourcing Top 100. India’s NASSCOM has established the NASSCOM Foundation “with the aim to use information and communication technologies for development (ICT for D) and to catalyse the corporate social responsibility arena within the Indian IT industry” (NASSCOM, 2011). A 2010 IAOP survey on social responsibility in outsourcing found that “CSR is an important and growing issue for outsourcing customers and providers – 71 percent say that CSR will become more important or much more important in future outsourcing contracts” (Babin and Hefley, 2010). These examples demonstrate the growing interest and importance of CSR to the outsourcing industry.

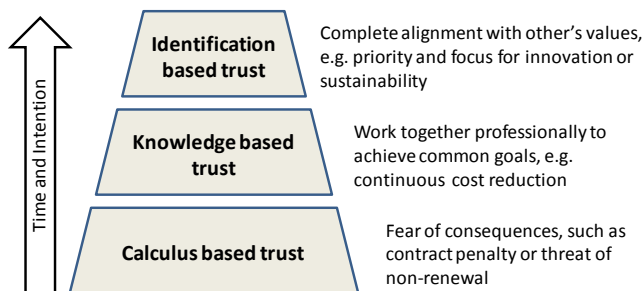
2.2 Trust and outsourcing

Trust has been established in the academic literature as playing a key role in outsourcing relationships. In a review of the IT outsourcing empirical literature, Lacity, Khan et al (2010) found that trust is a significant positive relationship characteristic for outsourcing: “Of the 10 times Trust was empirically examined, it was always associated with better ITO outcomes or found to matter.” (p. 409). Numerous researchers have examined the role of trust in outsourcing using case studies. For example, Rottman (2008, p. 31) described the importance of social capital, which includes trust, for “successfully outsourcing software development.” In case study of a US Manufacturing outsource to an Indian software outsource provider, Rottman found that “value is created through social relationships”, with include “higher levels of trust”, and that “trust allowed the internal teams to fully engage the offshore teams” to foster knowledge transfer required for the software outsourcing to be successful. Kelly and Noonan (2008)

examined the role of trust as a mechanism to reduce anxiety and improve psychological security. The authors demonstrate the importance of trust and show how it is manifested differently during particular phases (Courtship, Cohabitation) of the outsourcing relationship. Sabherwal agrees, stating that although trust is difficult to develop in outsourced IT development projects, there is a strong “need for trust in these projects, which frequently require the cooperation of strangers in tough, high-stress situations” (Sabherwal, 1999, p.81). Heiskanen et al. distinguish between trust, control and power, and clearly define a specific type of trust, called behaviour trust, as the “understanding, goodwill and intention to voluntarily take corrective actions, and openness when failures occur” (Heiskanen, Newman et al., 2008, p. 271).

Figure 1 provides a schematic of model of trust developed by Lewicki and Bunker (1996). This model was chosen because it aligns with a common spectrum of outsourcing relationships, from a contract oriented relationship (calculus-based) to a partnership relationship (identification-based). Contractual governance is based on calculus based trust, ensuring consistency of behaviour by imposing penalties for non conformance. An example would be contractual clauses related to financial consequences imposed on a provider for not meeting a KPI. Relationship governance is concerned with knowledge-based trust and is based on track record of success. Knowledge-based trust occurs when a buyer (or provider) has enough information over time, (e.g. SLA’s met, problems solved etc.) to accurately anticipate likely behaviour. Identification-based trust is based on empathy with the other party’s desires and intentions. At this third level, trust exists because each party mutually understands, agrees with and empathizes with the values of the other.

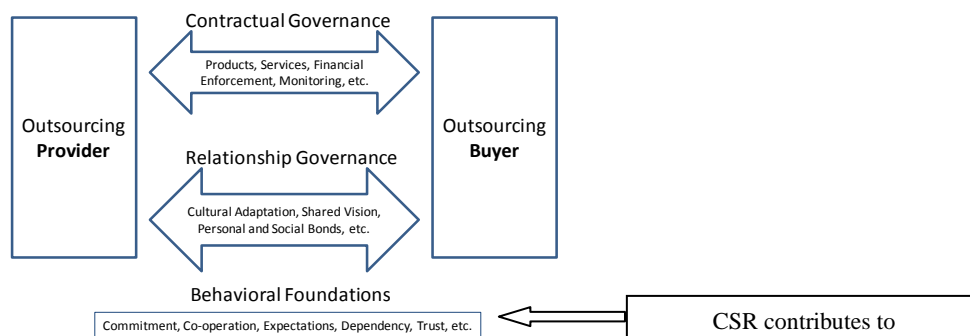
Figure 1. Hierarchy of trust (adapted from Lewicki and Bunker, 1996)



We posit that the higher level of trust, Identification based, is the desired position for an outsource relationship involving unstructured mission critical services or where innovation is expected. At the Identification level, both the buyer and provider share a common set of values.

In figure 2 below we depict the role of CSR in building trust in the outsourcing relationship. It is through the lens of this model that we will examine the role of CSR in building trust in the outsourcing case study of CSF and Steria. Figure 2 depicts three levels of interaction between the outsourcing provider and buyer: Contract, Relationship and Behaviour Foundation. We posit that CSR builds trust in the Behaviour Foundation, on which the overall relationship rests.

Figure 2 – The Role of CSR in trust building in ITO (adapted from Kern and Willcocks 2000)



3 RESEARCH METHODOLOGY

A qualitative case study research strategy was employed to explore the collaboration within the outsourcing context (Yin, 2009). Co operative Financial Services (CFS) and Steria were selected after a request was sent via an industry association newsletter for firms interested in participating in research on CSR in outsourcing. CFS made contact and following a set of discussions on the scope of the project introduced the authors to Steria, their outsourcing provider. We chose to pursue this case because both organisations have a very strong social commitment. For the reasons given earlier, this case represents a revelatory case (Yin, 2009, p. 47) which supports the rationale for a single case.

3.1 Data Collection

The main data collection method was via semi structured interviews using a pre-defined set of questions to structure the interview process but allowing the interviewee to bring additional perspectives to the discussion that may not be covered by the set of questions.

The case study was conducted over a one year period, starting in December 2009 and completing in January 2011. The case study consisted of four stages.

The first stage involved initial contact between the authors and CFS. During this stage the terms of reference for the study and the discussion outline for the interviews was agreed. The second stage was an intensive two-week period of interviews conducted onsite at CFS headquarters in Manchester, in June and July 2010. In this period, 23 interviews were completed with CFS and Steria staff. A total of 15 hours of interviews were recorded, with the average interview lasting about 40 minutes. The third stage involved secondary field work, reviewing the findings and collecting further data. Additional documents identified in the interviews were collected and reviewed. Five follow-up interviews were conducted to gather additional information that may have been missed in the first round. This stage was completed in January 2011. The fourth and final stage of the case study consisted of the sharing of information with key stakeholders. A management report was presented to the CFS and Steria executives, the CIO and the head of the IT outsourcing unit.

3.2 Data Analysis

The data was analysed by examining the individual transcripts. Codes were created by identifying common themes derived from frequently used words in the interviews. For example, 'trust' was mentioned in several interviews and became a code that was identified and tabulated across all interview transcripts. All themes were colour coded to identify the frequency of mention across all interviews, allowing the researcher to quantify and prioritise the key themes. As described by Miles and Huberman (1994, p. 57), "Codes are used to retrieve and organise ... the various chunks so the researcher can quickly...cluster the segments relating to a particular research question, hypothesis, construct or theme. Clustering... then sets the stage for the drawing of conclusions". The coding approach was inductive, in that no a priori codes were established. The researchers reviewed the key themes at end of day, before the transcripts had been compiled and prior to the next set of interviews. This allowed preliminary analysis to inform the next set of interviews. The initial themes were prepared after all transcripts had been received and reviewed. As Miles and Huberman state: "The ultimate power of field research lies in the researcher's emerging map of what is happening and why... Coding, working through iterative cycles of induction and deduction to power the analysis, can accomplish these goals" (1994, p. 65).

Theorisation of the data was undertaken during ongoing engagement with the research participants, collection of data, reading of the outsourcing literature and discussion between the researchers. Previous drafts of this paper were presented at internal seminars at our respective

Universities and submitted to workshops and conferences all of which received critical feedback essential for our analysis and theorisation of the case.

4 CASE DESCRIPTION

Cooperative Financial Services (CFS) is part of The Co-operative Group, the UK's largest consumer co-operative. CFS is the group of businesses that includes The Co-operative Insurance and The Co-operative Bank, incorporating internet bank Smile and Britannia Building Society. CFS revenues for 2010 were £550 million. CFS employs 12,000 staff in more than 300 branches and 20 corporate banking centres. Ethical, environmental and community matters take a high priority at CFS and there are a range of ethical policies setting out the way the society conducts business, most of which have been developed in consultation with customers many of whom are members. The Co-operative's social responsibility focus has deep foundations which date back to 1844 when it began as the Rochdale Society of Equitable Pioneers whose goal was the "improvement of the social and domestic condition of its members" (Fairbairn, 1994). The local social objectives of the Rochdale Pioneers have evolved to become the Co-operative Group's focus on global CSR and today the Co-operative balances profitable operations with a "purpose beyond profit" and with a goal to "show the way forward for corporate sustainable development in the UK". The Co-op Values and Principles Committees are responsible for establishing social and environmental priorities and for managing the Ethical Operating Plan. The Ethical Operating Plan establishes social and environmental goals in the areas of ethical finance, tackling global poverty, protecting the environment, inspiring young people and keeping communities thriving. Progress is reported annually in the Co-operative Group Sustainability Report. The Co-operative has been recognised for its sustainable leadership with an Environmental Leadership Award in 2009 from Business in the Community and a Platinum Plus ranking in 2010 for Corporate Responsibility (The Co-operative Group, 2010, p. 121)

CFS perceives CSR as distinguishing it from competitors but that this advantage is challenged by others in the marketplace and should therefore continue to reinforce its advantage in this area. As one CFS executive explained: *"People see us as leading but other organisations are catching up quickly ...everybody is on the bandwagon. We need to up our game and up the stakes. We've got to keep pushing the boundaries to maintain our reputation."* Maintaining CFS's position as a leader in CSR is a significant motivating factor for collaborating with their GITO providers.

4.1 Outsourcing to Steria

The outsourcing relationship between CFS and Steria (previously Xansa) began in the 1990s. Steria's work is primarily focused on the maintenance and support of legacy software applications at CFS. In 2009, CFS total spend with Steria was the second largest (after IBM) and represents 22% of the total overall outsourcing spend.

Compared to global IT service companies such as IBM, Accenture and others, Steria is a mid-tier, regional firm and ranks itself as Europe's ninth largest IT service provider with 1.2% of the market share in Western Europe. Steria employs over 18,600 employees across 16 countries and has offices in Europe, India, North Africa and South East Asia. Headquartered in Paris, revenues in 2010 were €1.7 billion. Steria's main business is consulting and systems integration (51% of revenue) and IT infrastructure management (31% of revenue), with additional revenues from business process outsourcing and third-party applications maintenance. Steria speaks proudly of its social responsibility reputation. For example, according to the Steria Corporate Registration Document, the governance model has included employee shareholders since its foundation in 1969 and currently 20% of the capital of Steria is held by employees. Steria is a member of the UN Global Compact. In 2008 and 2009 Steria was recognised for its CSR activities in India,

receiving the Best Practice Award sponsored by the NASSCOM Foundation and the Bombay Stock Exchange. Steria's focus on Corporate Responsibility has a dual focus on the environment, "proactively participating in the support of a sustainable world for all," and on social responsibility, "bringing greater independence to disadvantaged people". In its corporate strategy Steria identifies the need to "reconcile development and social responsibility". Steria is "dedicated to the fight against digital divide and exclusion [with] its support for the most disadvantaged in India, enabling notably the [Steria] Group associating its customers in its actions for responsible development of its business" (Steria, 2011). Regarding disadvantaged people, Steria has focused on education in India for underprivileged children and those in rural communities with an emphasis on young women. This aligns with two Co-op social responsibility priorities: "International Development" and "Inspiring Young People" which is an example of the cultural fit between Steria and CFS.

4.2 The OSOCOS partnership project

The "One Steria One Country One School Programme" in India (OSOCOS) programme is offered to selected buyers as a route to partnering by injecting resource into schools located in the Indian cities of Chennai, Pune or Noida, where Steria centres are located. The programme is structured as a three-year commitment for the buyers and fifteen schools were supported by Steria and their buyers as of May 2010. The arrangement enables the buyer to involve staff, family and friends in the India project and to publicise the project when visiting India and list involvement in marketing material. The buyer is presented with a "menu" of engagement options and a price list. Steria encourages partnering buyers to communicate with the children in the school through "mentorship" that may involve email, video conferencing and scheduled visits. When visiting Steria centres, buyer staff (usually high-ranking executives) are encouraged to visit the school they have sponsored. Steria refers to this arrangement as a "community collaboration procedure". Steria employees provide volunteer training and support for the schools.

As an example, at the Medavakkam high school in Chennai, the Steria volunteers provided the following support:

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

The "fit" between Co-operative and Steria is shown in the "three clear priorities for community investment" in Cooperative 2009 Sustainability Report which are:

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

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

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

The second school sponsored by CFS is the Shri Ghanshyam Sharma Memorial High School in Dujana, Noida. It was established in 1999 and has 1035 pupils aged 5-15 years old. Children are from low income group families, farmers, labourers etc. CFS sponsorship commenced in May 2010 with budget of £15,714. The CFS contribution covers the initial equipment purchase and Steria volunteers provide ongoing support such as software upgrades and technical support.

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

The involvement of CFS is more than simply philanthropic writing of cheques to a good charitable cause. Senior executives from both CFS and Steria participate together in annual visits to the sponsored schools. Students and school staff welcome the CFS executives and provide updates to CFS executives on their success and progress. For example, Steria provides CFS with Board exam results for the classes at sponsored schools.

CFS's commitment to the OSOCOS programme is actively supported by the highest executive level. Tim Franklin, Chief Operating Officer for CFS is the overall project sponsor and is quoted in the Steria Corporate Responsibility Summary: "Steria's school programme is leaving an indelible legacy in the communities in which they serve – and CFS is hugely proud to be involved". The CIO for CFS, Jim Slack, commented how pleased he was with the warm appreciation from students when he visited the Medavakkan High School and his desire to continue supporting the schools in India.

4.3 Case Analysis

OSOCOS provides a strong foundation for trust building between the outsource buyer and provider. The focus of the CSR activity, aiding underprivileged students, is a priority for both organisations. Both parties benefit from joint visits and monitoring of the students' progress. The two key themes that emerged from the case study are as follows:

1. Collaborative CSR builds trust between buyer and provider organization
2. Collaborative CSR builds trust within the buyer and provider organization: Attract and retain people; inspires commitment to work longer and harder.

4.3.1 Trust between buyer and provider organizations

The first level, calculus-based trust, is reflected in the outsourcing contract where rewards and penalties are defined and calculated. However, identification-based trust where "each party effectively understands, agrees with, empathises with and takes each other's values" (Lewicki and Bunker, 1996, p. 119) aptly describes the outcome of OSOCOS collaboration. A CFS executive told us about the desired relationship with outsource providers: *"We want a common set of values – to build more trust, [with] like-minded organisations, [where] we share something in common."*

Collaborative CSR helps the provider to better understand the buyer and allows the relationship to develop beyond the commercial contract of the outsourcing relationship. Collaboration on CSR projects creates contexts and circumstances in which greater trust can be built between the outsource provider and buyer, which takes the relationship between the two parties beyond the service level agreements expressed in the contract. As one Steria executive said:

These trips out to India are where you really get to know your customers, because you're with them 24 hours a day. And when you share different experiences with them, as you know, it puts your relationship on a very

different plain. I think the closer that you work together, the more effective you are. And then from my point of view, the more effective you are, you keep the business.

The collaboration provides an opportunity for much greater interaction and cross-linkage between the people in the two firms beyond that of the formal communication routes detailed in the outsourcing contract. This greater breadth of communication increases the opportunity for improving the relationship between CFS and Steria beyond the contractual outsourcing foundation and at multiple levels within each organisation. It also cuts across the formal hierarchy for problem solving or when things go wrong.

A Steria manager said *“CSR initiatives have helped to diminish the formal communication hierarchy – allows more junior staff to speak directly with seniors on a CSR related activity”*. Furthermore, a CFS executive told us that the [Steria staff and executives] *“are closer to the action. They’re closer to the internal discussion. It’s not a standoff where ‘I’m protecting my IP mindset’. So the defences go down and as a result of that, other things open. They participate in the charity event. They participate in the general spirit and culture of things that are happening”*.

The buyer and provider “harmonize” as people begin to develop a collective identity (their defences go down) and to empathise strongly with each other. Trust develops through regular communications and watching each other perform in social situations, experiencing a variety of emotional states and learning how others view this behaviour. (Lewicki and Bunker, 1996, p. 121) One Steria executive commenting on OSOCOS’ benefits said : *“It’s about working with my main contacts; working with India enables me to understand what makes CFS tick, what makes the company tick”*. As another Steria executive noted, *“I would just say it massively helps with our relationship and how we work together,.. you also bring in teamwork and there’s so many other things that come into it, other skills such as communication. You really get to know the people who you’re working with, and when you see them out of a techie environment, it makes a huge difference.”* This last quote shows the importance of team building and the importance of “getting to know each other” outside of the formal work environment; to understand the person outside of the outsourcing relationship. This comment typifies the CFS- Steria relationship, where the interpersonal relationship is considered to be equally as important as the contractual relationship. The value of a higher level of trust is that it delivers additional benefits, such as when things don’t go well in a project delivery. As a Steria executive observes:

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

This comment strongly echoes other research besides our own on the importance of trust in outsourcing projects “which frequently require the cooperation of strangers in tough, high-stress situations.” (Sabherwal, 1999, p. 81) Trust develops through a “frame-change”, in this case the collaboration in India, in which the CFS and Steria staff have moved to a personal identification with each other. Besides OSOCOS, CFS invites outsourcing providers to their community day activities, as described by one CFS executive *“Because it’s a team-building exercise as well ... we are trying to involve each other in those types of activity because it helps to embed the relationship in a way that just meeting around the table in the office doesn’t do.”* *“It helps to embed the relationship and just make people feel like they are one community.”* This sense of collective identity, shared goals and values echoes was mentioned in other interviews outside of this case, where the concept of shared values and cultural fit were seen to be important

characteristics when outsourcing involves services and prices are fairly similar between competing providers.

4.3.2 Trust within the buyer and provider organization

There are many examples of how CSR initiatives can inspire the people and thus improve productivity, for both the buyer and provider. There are two points of key interest here: first, OSOCOS collaboration was seen to reduce employee turnover. Second, the collaboration was seen to build engagement, team work and ultimately, increased productivity at work. Both of these points are a by-product of trust.

Let us first get our hands around why collaboration on CSR projects has contributed to lower staff turnover. CFS recognises and values the low turnover of the Steria outsource employees. Managing staff turnover is a perennial problem in outsourcing:

“Turnover is the biggest thing for me. So we’re not constantly losing staff in their area and bringing new staff in and letting it just start off with new skills, which means projects have more of a success of delivery in the time schedule set.” Steria executive

While the Steria average attrition rate for 2010 was 16.5% attrition on the CFS project was 12% and in some cases Steria turnover could be as high as 25%. Others have reported that Indian outsource providers “can expect to lose 15 to 20 percent of their work forces each year.” (Scheiber, 2004) Turnover is costly for the provider, who must hire and train new replacement employees, and can be problematic for buyers because of the disruption to service when a provider staff member leaves. Reducing attrition is a benefit to both the outsource provider and buyer because the buyer gains continuous service from a knowledgeable outsource employee and the provider keeps training and recruiting costs low. Steria reports that its average annual training cost is €691 per person, and the number of annual average days of training is 2.7 days per person for 2010. We learned that several hundreds of Steria employees work on the CFS account. The ability to reduce attrition by 4.5% from the organisation average should translate into significant savings for Steria.

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

India are going through huge attrition throughout each outsourcer -- it doesn’t matter whether it's BPO, ITO. There is massive attrition because the labour pool is becoming far more switched-on and they are moving to that extra three rupees or the promise of a different kind of education...India is booming again this year. And attrition is a massive issue for the industry... attrition on the CFS account is really, really...nothing compared to others, I mean it stands out. ... what it is certainly linked to is the strength of the relationship between the two organisations which is really visible to the guys in India ... you couldn’t say the reason for the low attrition on CFS is because what we do on CSR. But it’s certainly part of the equation... definitely a factor.

Turnover in India has become a critical topic in the outsourcing industry, with associated costs and service quality issues that are important for both provider and buyer.

A Steria executive described the lower staff attrition on the CFS account, but cautioned that it was not entirely attributable to OSOCOS : *“We do have a lower attrition rate on the CFS account, I don’t think it’s purely down to OSOCOS but I think it contributes. The ethical and social element does help. I wouldn’t say it was THE reason why the attrition rate is lower but it definitely contributes”*.

Although CSR cannot be pinpointed as the only factor, anything that lowers staff turnover is a benefit to buyer and provider. In an outsourcing relationship, where the service is delivered by well-trained and experienced staff, the benefit of lower attrition, which reduces costs and improves service, is a major benefit. The benefit may be considered strategic if the cause of the lower attrition is unique and not easily replicated by another provider. The reduced staff attrition between CFS and Steria, which is partially attributed to collaborative CSR, would be difficult for another provider to quickly reproduce, given the time and energy required to create the initial collaboration between the two firms.

The second main area of benefit is in the form of a more highly motivated, more engaged group of employees at both Steria and at CFS. This is because the employees have a sense that they are working towards an inspiring vision that is about more than just being profitable. The Co-operative Annual Report states the aim “to build a better society... to be an ethical leader; to be an exemplary employer” (The Co-operative Group, 2011). In a period when global financial challenges have disrupted many national economies this vision, which is demonstrated through CSR projects, motivates employees. A senior manager at CFS told us how the CSR projects motivated the employees:

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

Productivity is a key benefit from motivated and engaged employees. Employees at CFS and at Steria who are inspired by a working environment with a vision that is more than simply growing profits tended to work longer and with more dedication. Interviewees spoke of the energy and attentiveness of the motivated employees who are engaged in CSR projects between Steria and CFS. One Steria account manager told us that “*People stay longer, sometimes they're investing a lot of their time and it's not paid, I won't necessarily see it on my bottom line, but you will see it on the productiveness of that project, of hitting targets, etc.*” A CFS executive told us about the motivation of Steria employees who value the strength of the relationship with CFS:

when you are under pressure of getting the tests done against a tight deadline, do you know what the guys say? Well, time to go home now, or do they stay for midnight? These guys stay until midnight and beyond and all night if necessary....the school [CSR] thing is just a little part of that – it just builds that.

This demonstrates the benefits of shared values where the Steria employees have developed a collective identity with CFS and have committed to commonly shared values such as helping schools with needy children in India rewarded by working late to complete an important software project. Other researchers have described similar phenomenon of employee engagement through social responsibility. Bowman describes the “intensifying search for meaning and purpose in work ... and that employees are looking to business to answer questions about the meaning of life” and “employees are looking for a sense of connectedness or community at work, and for their work to be an opportunity to contribute towards society” (Bowman, 2004). Others have described how social responsibility in the workplace boosts employee engagement, suggesting that “a sense of pride [from social responsibility] is a major driver of both morale and results... Companies that enhance their reputations through CSR perform better, and generate greater employee loyalty from workers.” (Amble, 2007) There is nothing necessarily new about motivated employees being more productive. What is new in this research is that outsource provider and buyer employees working together, on CSR projects that they all support,

contributes to improving the trust between the two groups and enables them to collectively become more motivated and productive in their outsourcing work.

5 Discussion

This paper set out to examine the research question: How does collaboration on CSR projects affect trust in an outsourcing relationship?

Steria has distinguished itself as an outsource provider at CFS through the OSOCOS. It is able to align with and support the Co-operative community priorities and in doing so builds strong identification-based trust (Lewicki and Bunker, 1996), which becomes a unique value proposition in the outsourcing relationship. As a basic requirement, Steria must be able to provide IT outsourcing services to contract at a competitive price, similar to other providers at CFS. By adding a “social dimension to its value proposition” with the OSOCOS programme, Steria distinguishes its services from the competition. The social impact of providing educational support to underprivileged children in India becomes integral to the overall strategy of Steria, and to continuation of its outsourcing relationship with CFS.

The case study reinforced several themes that had already been identified in the research data. For example, we demonstrated that CSR has become a required business competency in outsourcing RFPs, bids and contracts as measurable evaluation criteria. We demonstrated that collaborative CSR activities build trust and improve communication between buyer and provider in a long-term outsourcing relationship. And to confirm a consistent theme throughout the research, we argue that CSR cannot be forced, and should not be a cynical ‘bolt-on’ or ‘banner’ for short-term marketing purposes; in other words beware of ‘green-washing’.

We posit that collaborative CSR activity has workforce benefits. It reduces attrition, improves staff retention, builds team morale and engagement; inspires commitment to work longer, harder, and attracts, engages and retains workers, especially young workers. We presented evidence that organisations such as CFS who are CSR leaders are able to attract providers who are eager to work with a mature CSR buyer; CFS benefits by attracting a higher quality outsource provider.

Moreover, the case study addressed a fundamental outsourcing CSR paradox which is this: buyers need to reduce costs and still have a social responsibility to their local labour force so there will be a constant balance and tension between CSR and commercial requirements. As one senior CFS executive simply stated, CFS must outsource the back-office otherwise it will not have a front-office that continues to employ many people. This paradox was amplified by the CIO’s comment that this is like the “mad auntie in the cupboard”: we all know about it, are not willing to discuss it openly, but the social implications must be addressed within our organization.

6 CONCLUSION

Let us now consider the implications of this paper for research theory and practice.

6.1 Implications for research

It may be argued that a limitation of the findings is in the basis of single case and that CFS as a cooperative is not representative of many commercial organizations.

Dealing first with the single case basis, we argue that the case is revelatory and offers deep insight and analytical generalisation (Yin, 1993) linked to an established model of trust building (Lewicki and Bunker, 1996). The findings improve our understanding of trust building mechanisms and deep insight enriches established models of outsourcing relationship building (Kern and Willcocks, 2000) The model has been enriched by providing an revelatory case study of how trust can be built, through collaborative CSR, thus strengthening the foundational

behaviours between the buyer and provider. Steria has described how this model of collaborative CSR, through the OSOCOS program, is used with other clients such as Royal Mail, Boots, the BBC and British Telecom. In the US, we have examined a similar collaborative CSR model between Northern Trust and Tata Consultancy Services. Although this paper presents a single revelatory case, these additional examples of collaborative CSR suggest that this concept is not unique to CFS and Steria.

Dealing with the representativeness of the CFS case, we argue that the business model of CFS is likely to become more prevalent in the future. At the time of writing, the occupy Wall Street and London Stock Exchange movement became an interesting global phenomena in the second half of 2011, with protestors occupying public areas in major cities, including New York (Wall Street) and London (St. Paul's). The protest was in reaction to the economic hardship and recession, initiated by the financial crisis of 2008-09, that affected 99% of the population while the 1% remained unscathed. The 1% were often portrayed as corporate elite, including financial institutions that were protected and 'bailed out' with government funds. As governments face growing deficits and cuts to services, the 1% of the population appeared to be unfairly protected while the 99% faced hardships such as growing cost of living, reduced government services and high unemployment. We posit that CSR within and between organisations can operate as a counterbalance to this global frustration.

6.2 Implications for practice

The key contribution of this research is a set of trust building mechanisms in relation to stages of trust.

These may be adopted by managers, consultants etc who are mindful of the benefits of CSR. We suggest four actions for outsource buyers to encourage collaborative CSR with outsource providers. First, carefully choose and recognise those outsource providers. Second, focus on CSR initiatives that are common, or are considered by both organisations to be priorities, such as commitment to education, or to reducing poverty in developing areas. Third, start with small collaborative CSR initiatives to learn how to work together and to build momentum and trust. Fourth, measure and revise the collaborative efforts and reconfirm that ongoing CSR projects continue to meet objectives for the individual organisations and for the outsourcing relationship. Table 1 below provides examples for practitioners to consider in using CSR to build trust between and within the firms.

Table 1. Building trust through CSR within and between organizations - examples

	<i>Trust between buyer and provider organizations</i>	<i>Trust within the buyer and provider organization</i>
Knowledge based trust	<ul style="list-style-type: none"> • Work longer to solve technical problems • Communication cuts across hierarchy 	<ul style="list-style-type: none"> • Reduced turnover • Higher productivity
Identification based trust	<ul style="list-style-type: none"> • Common values, cultural "fit" • Collective, "harmonized" identification of social goals 	<ul style="list-style-type: none"> • Recognition that the paradox of outsourcing is balanced with CSR activities in offshore locations

From ongoing research we have shown that some buyers are using the balanced scorecard to establish and measure goals for collaborative CSR with their providers and this constitutes an area of further research which would help to flesh out the concepts described in this paper. Secondly, longitudinal study should be able to track increasing value such as additional schools supported by the OSOCOS collaborative CSR programme. The study would also revisit the strength of the relationship to determine how increased trust has been used to bridge the challenges of the outsourcing relationship and to extend the commercial value of the relationship, a key outcome of which would be the ability of Steria to extend its outsourcing work with CFS.

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