A Stakeholder-Specific View on Impact Sourcing

Impact Sourcing is the outsourcing of activities to disadvantaged social groups in order to help them become participants of the globalized digital world and thus benefit from higher incomes and wealth creation.

1. Introduction

Globalization has grown over the last decades and brought many promises—the interdependence of countries working together has deepened and has enriched nations. However, it "has not brought the promised trickle-down benefits to many of the poorest people in the developing world" ([1], p. 533) Different sustainability-oriented business practices established by either public or private initiatives have tried to tackle this issue, such as micro-finance infrastructures, which help underprivileged people establish their own businesses, or MOOCs (massive open online courses), which make education easy to access and consume. Another way of helping disadvantaged people and communities become active members of the global economy is Impact Sourcing. This relatively recent business practice uses digital technologies and virtual collaboration to intentionally employ disadvantaged individuals for the betterment of themselves, their families, and their communities by creating sustainable work [2]. The trend emerged from Information Technology (IT) Outsourcing, where IT operations are transferred to an independent provider firm [3], and from Business Process Outsourcing (BPO), where IT-intensive business activities are serviced by outsourcing providers. Impact Sourcing distinguishes itself from traditional outsourcing through its mission to affect a wider audience instead of only pursuing the organization's economic or growth objectives. However, while Impact Sourcing wants to bring economic and social benefits to marginalized communities through sustainable job creation and growth, it also delivers inexpensive high-quality services [4]. This represents the hybrid character of the business model [5] as it seeks Corporate Social Responsibility (CSR) objectives along with cost-saving objectives [4]. The number of research publications on Impact Sourcing has been growing over recent years and has highlighted characteristics, success factors, as well as effects of Impact Sourcing.

2. Background of A Stakeholder-Specific View on Impact Sourcing

Thanks to global digitalization, organizations can now contract third parties around the world to outsource their services, which is primarily done to reduce operational expenses and to fill the talent shortage that often prevails in the home country [6][7]. While global, or "offshore", outsourcing has become a widespread business practice within the last three decades, a growing discourse on IT outsourcing and its ethical and moral intentions has been observed [4]. Not only did the public's expectations of organizations' responsibilities increase, but their stakeholders and executives also regard social and environmental issues as an important factor in their outsourcing decision. One way to appease the pressure of consumer expectations is to implement CSR standards by which social and ecological topics are integrated into the company's operational objectives [8]. CSR in this context means building a link between sustainability concerns and company strategy, consumers, employees, and communities to foster an environment where business practices are focused on their social and environmental consequences [9].

Especially, "corporations that outsource want to ensure that their outsource providers can attest to the well-being of their employees and the communities in which they operate" [8]. While the International Association of Outsourcing Professionals (IAOP) reported in 2009 that many companies recognize CSR as part of their outsourcing decisions [4], critics have argued that CSR only focuses on the benefits and should move to a newer concept called Creating Shared Value (CSV) [10]. The concept's core is to create social value between the outsourcing company and the provider while striving for economic value. Impact Sourcing has appeared as an approach to deliver this idea.

So far, there is no clear overview or timeline on when and how Impact Sourcing appeared, and no common standard definition has been manifested, yet. The earliest definition was published by The Rockefeller Foundation in 2011 [2] and describes Impact Sourcing as employing "people at the base of the pyramid, with limited opportunity for sustainable

employment, as principal workers in business process outsourcing centers to provide high-quality, information-based services to domestic and international clients" ([2], p. 5). Bulloch and Long [4] interpret Impact Sourcing as "outsourcing that benefits disadvantaged individuals in low employment areas [and] looks beyond the common source of supply for traditional outsourcing to provide higher-income employment and access to new income opportunities to individuals that might not otherwise be employed in [IT]" ([4], p. 3). Carmel and his colleagues expand this definition to "the practice of hiring and training marginalized individuals who normally would have few opportunities for good employment to provide information technology, business process, or other digitally enabled services" ([10], p. 19). Finally, Ismail et al. [11] argue that using the word 'disadvantaged' instead of 'marginalized' is more appropriate for the target recipients because the term 'disadvantaged' implies deprivation of necessities and not solely the deprivation of financial resources. Therefore, their definition of Impact Sourcing is: "Contracting out of digitally enabled services to service providers that employ disadvantaged individuals who normally have limited employment opportunities due to social marginalization" ([11], p. 151).

While Impact Sourcing was earlier often used interchangeably with 'social outsourcing', it differs in two ways. First, Impact Sourcing focuses on the tasks of digitally enabled IT outsourcing or business process outsourcing, while social outsourcing includes more generic work (such as manufacturing of physical goods). Second, the supplier of the service, also labeled as 'Impact Sourcing Service Provider' (ISSP), does not have to be a social enterprise but can also be a regular commercial enterprise [11]; thus, Impact Sourcing focuses on both meeting the regular outsourcing objectives (cost and talent) while contributing to the CSR agenda [4]. However, the tension between social and commercial logic can lead to challenges [1][4], which will be discussed later.

ISSPs are capable of taking on a broad spectrum of services, ranging from digitally enabled services such as transcribing handwritten, picture tagging, or data entry to more complex tasks such as business process services, including call center work, processing forms, or building reports [4][10][12]. The literature specifies various types of business models which mainly differ in how the value chain is organized (e.g., involving subcontractors or not), but all have in common that an ISSP involves marginalized people who eventually do the outsourcing tasks [10].

Despite the manifold extant research activities, a systematic literature review that consolidates the findings gathered so far and that covers the research insights from the perspective of the different stakeholders in Impact Sourcing is missing.

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