

Outsourcing Professionals' Guide to Corporate Responsibility



Bill Hefley, PhD, COP

Ron Babin, DBA, COP

With contributions from the IAOP Corporate Social Responsibility Committee



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Outsourcing Professionals' Guide to Corporate Responsibility

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Colophon

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Foreword 1

Corporate Responsibility (CR) in outsourcing focuses on three critical areas — people, community and the environment. The “people” component relates to employee issues such as fair pay, good working conditions and diversity, while the “community” area focuses on economic and charitable efforts, both locally and globally. The “environment” aspect relates to green practices that help reduce energy consumption and waste. Practicing CR is also good business for reasons of sustainability, as well as brand-building.

At the International Association of Outsourcing Professionals® (IAOP®), we have been involved with advancing CR in outsourcing since 2008. As the advocate and standard setting organization for the industry, it is our role to set the lead on what CR should be expected to look like in the industry, and how it will grow and change over time so we can help keep professionals and their organizations ahead of the movement.

Recognizing the growing need to address CR in outsourcing, IAOP formed a CSR subcommittee of industry leaders to address this important issue in 2008, and conducted its first study with its members in 2009 that was presented at The 2010 IAOP Outsourcing World Summit. The work of the Committee continues, with follow-on surveys completed in 2011 and planned for 2013, and with the preparation of this *Guide*.

Our goal in writing this first of its kind guide is to begin to create specific content for *all* professionals working in business today to understand. By reading some of the many best-of-breed examples, you’ll gain a broader understanding of what is being done now and what is possible in the future.

We hope *The Outsourcing Professionals’ Guide to Corporate Responsibility* will leave you not only more aware of the importance of CR but challenged and moved to action as an industry – and individuals – to do more in this crucial area.

Debi Hamill, CEO, International Association of Outsourcing Professionals (IAOP)

Foreword 2

Perspectives on Outsourcing

We have been fortunate to experience first-hand the real estate outsourcing industry during its incubation in the 1990s. During this time, we have keenly focused our attention on lessons learned from other industry verticals operating in the space (IT, HR, accounting, and the like) as well as our own 300+ Fortune 500 client base in determining the optimal path to strategic value and excellence. As things become more complex within the space we operate in, simplicity and focus in our relationships becomes more and more crucial. We have found that our job, no matter what capacity we operate in on behalf of our clients, is to advocate, prioritize and execute flawlessly and with the highest level of quality. It is for this reason among many that the International Association of Outsourcing Professionals has included us in its list of the top 100 global outsourcing companies for eight consecutive years, most recently 4th in 2013 and the highest ranked among commercial real estate service providers.

The Role of Corporate Responsibility in Business

At CBRE, we aspire to be recognized as much for our commitment to responsible business practices in our own right, as for the quality of our commercial real estate outsourcing services. Doing the right thing and acting responsibly within all of our relationships—our customers, suppliers, employees, communities and other stakeholders—is a given. This expectation ensures that we continue the culture of success and leadership we have built for future generations of business relationships.

As a global leader, we understand that with leadership comes responsibility: responsibility to lead with integrity; respect our people, partners and planet, support the communities in which we live and work; and share with others the good fortune in each of our lives. This vision is further echoed in our corporate values—Respect, Integrity, Service and Excellence (RISE)—which are timeless and universal, and transcend all markets, service lines, languages and cultures.

Since establishing our Corporate Responsibility initiative in 2007, we have witnessed values-based business performance become an increasingly critical market driver. Our clients, employees and stakeholders invest in similar programs

professionally and personally, and want an ethical, responsible, accountable outsourcing partner who shares this responsibility. CBRE, its employees and service partners, do exactly that, every day, in every outsourcing relationship.

CR in Action: Lessons Learned

In the five years since launching our Corporate Responsibility platform, CBRE has learned critical truths in each of its six pillars:

1. *Communities and Giving* - Our professionals are dedicated to bettering the communities where they live and work, as well as those around the world, and we must support them in doing so.
2. *Environmental Sustainability* - Environmental sustainability is the only component of CBRE's Corporate Responsibility platform that also represents a direct business opportunity. We must therefore simultaneously influence and learn from the sustainability requirements of our clients, many of whom are similar in size, complexity and geographic diversity.
3. *Ethics and Compliance* - The surest path to financial sustainability and success is remaining true to our RISE Values, and maintaining a culture of ethical conduct must remain the cornerstone of our business philosophy.
4. *Governance* - A global business inconsistently governed and with a strictly transactional mindset will realize at best short-term, limited success...and at worst a complete lack of integrated excellence.
5. *Health and Safety* - CBRE employees rely on and are incentivized to maintain a safe and healthy work environment in order to perform their jobs to their and our clients' satisfaction.
6. *People and Culture* - The reputation and strength of our company, and the ultimate success of our outsourcing partnerships, hinges on the hiring, training, management and development of well-qualified professionals, and this commitment will not change.

These accomplishments were acknowledged in mid-2012 as CBRE Inc. was announced as the inaugural winner of the *Global Outsourcing Social Responsibility Impact Award*. Also in 2012, another CBRE initiative was the launch of the Real Green Research Challenge (RGRC), a four-year, US\$1 million commitment to

fund leading-edge sustainability research and innovation relating to commercial real estate.

About the Guide

CBRE places great value in pursuing the highest level of corporate social responsibility in the industry, and is proud to continually invest in each of its pillars, not only for the benefit of our own stakeholders, but in direct alignment with our outsourcing relationships. We understand that by doing so, we establish a level of trust and understanding that goes far deeper than any single, tactical function we perform...a trust that must be continually maintained if we are to continue to provide value within our leadership position. We take this responsibility seriously, and are emboldened to seek out best practices among other industries, optimize current platforms, and achieve new levels of CR excellence each and every year.

Thank you to IAOP for continuing to shape the dialogue about corporate responsibility in outsourcing.

Bill Concannon, COP, Chief Executive Officer, Global Corporate Services, CBRE Inc.

Bill Concannon, COP, leads all corporate and public sector outsourcing for CBRE's GCS business globally, including facilities management, transaction management, project management and client strategies and consulting. Bill was inducted into IAOP's Outsourcing Hall of Fame in 2011, which recognizes individuals for their outsourcing achievements as well as their contributions to economic development, socially-directed investments, career development, education and training through outsourcing. CBRE, a Fortune 500 and S&P 500 company, operates as the world's largest commercial real estate services firm. Forty percent of its revenue is derived from outsourcing services, and is an area of consistent, strong growth for CBRE.

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Led by IAOP CEO Debi Hamill, the CSR Committee is chartered with identifying and promoting discussion among IAOP members on how outsourcing can be used as a powerful tool for advancing critical social, economic, and environmental issues on a global basis. Additionally, it examines corporate socially responsible policies and practices for outsourcing, including identifying and showcasing policies that our membership have adopted, creating a framework for companies to model new CSR policies, and developing a network of resources for IAOP members.

Members of the CSR Committee during the preparation of this Guide included:

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We also thank Debi Hamill, Chief Executive Officer, IAOP; Jag Dalal, COP, Chief Advisor, Thought Leadership, IAOP; and Matt Shocklee, COP, Managing Director & Global Ambassador, IAOP, for their efforts in support of the development and review of this Guide.

This is not an academic book and it does not pretend to represent profound new research insights. To the extent the authors and our circle of collaborators have contributed those, they are presented elsewhere as such. What we are trying to give in this book is an introduction to the topics of corporate responsibility in the space of outsourcing, whether it be third party global outsourcing, captive center offshoring, near shoring, impact sourcing, or just the outsourcing of a business process in the client's existing facilities. We hope to give business executives, policy makers, and the people who advise both groups, an easy and quick introduction to the richness and scope of corporate responsibility in outsourcing. That is also why there are very limited footnotes or references to be found in this book, and why the list of resources provided is only a starting point for further reading and exploration, and not as a comprehensive list of references.

Outsourcing Professionals' Guide to Corporate Responsibility

1: Introduction

1.1 What is Corporate Responsibility and Why Does It Matter for Outsourcing?

The problem isn't outsourcing. It's that big business is disconnected from the well-being of most...; we're left with global corporations that don't give a damn.

Robert B. Reich, Chancellor's Professor of Public Policy at the University of California at Berkeley, was Secretary of Labor in the Clinton administration
(Reich, 2012)

This isn't just one person's opinion, either. GlobeScan tracked global societal opinion from 2001 to 2011, and found that there is a continuing gap between what the public expects of business and the perceived performance of business in the areas of the economy, society and environment (The Regeneration Project, 2012). Consumers, governments and society at large demonstrate increasing expectations for social responsibility from all organizations.

Corporate Responsibility (CR) is about managing an organization's impact on society and the environment through its governance, operations, products or services and through its interaction with key stakeholders such as employees, customers, investors, suppliers, and the community at large. CR is a concept that overlaps with business ethics, corporate philosophy, corporate citizenship, social responsibility (SR), sustainability and environmental responsibility (Crane, 2008). A recent Boston Consulting Group report describes the corporate social responsibility (CSR) concerns of senior managers who "consider the economic, social and even political impacts of sustainability-related changes in the business landscape." (Berns, et al., 2009) The report states that "Sustainability will become

increasingly important to business strategy” and recognizing this, “companies will need to collaborate across internal and external boundaries.”

Different organizations have used a variety of alternative names for their corporate responsibility efforts. These include corporate social responsibility (CSR), corporate citizenship, sustainability, and supply chain responsibility or supply chain sustainability. Some organizations have also created their own branded names for their programs of CR activities. The name that is applied is not key; what is essential, however, is the manner in which the organization addresses and deals with their drivers for CR, their stakeholders, and the impacts of their organization’s actions in all aspects of the triple bottom line (TBL): economic, societal, and environmental.

The World Business Council on Sustainable Development defines CSR as: “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” (World Business Council on Sustainable Development, 2001)

The Global Economic manifesto is in accord with other United Nations human rights guidelines and advocates that:

“Differences between cultural traditions should not be an obstacle to engaging in active cooperation for esteem, defense, and fulfillment of human rights. Every human being – without distinction for age, sex, race, skin color, physical or mental ability, language, religion, political view, or national or social origin – possesses an inalienable and untouchable dignity. Everyone, the individual as well as the state, is therefore obliged to honor this dignity and protect it. Humans must always be the subjects of rights, must be ends and never mere means, and must never be the objects of commercialization and industrialization in economics, politics, the media, in research institutes, or in industrial corporations.”

The UN-commissioned Brundtland Report provided a global focus on the challenge of sustainability; in 1987, it defined sustainable development as: “meeting the needs of the present without compromising the ability of future generations to meet their own needs”.

Corporate Social Responsibility has been defined by the EU as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” The International Finance Corporation defines CSR as “the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”. Thus, sustainability requires that organizations achieve a balance across the triple bottom line (TBL) of People, Profit and Planet – while appropriately considering the needs of current and future populations, encompassing all stakeholders and the organization’s context within global society, as well as the limits of the ecological and environmental systems.

Can companies have an impact through their actions to achieve this balance across their TBLs? The Boston Consulting Group found that across industries there is a “strong consensus that the underlying drivers of sustainability are highly complex, interrelated, and lasting, and that the corporate sector will play a key role in solving the long-term global issues related to sustainability.”

Organizations addressing CR understand the numerous impacts that a business has on all aspects of its economic, environmental, societal, and governance actions, and the way that the organization behaves to enhance or reduce these impacts. Their CR activities are often voluntary by definition, although, increasingly, there are industry standards and legal or regulatory requirements that cause organizations to address these activities. One such example is the recent California legislation Senate Bill 657, the California Transparency in Supply Chains Act of 2010, which became effective on January 1, 2012. This legislation would require certain organizations “doing business in the state to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains.” (California, 2010)

Organizations face pressures from many different sources that drive their CR activities. Legislation and regulations are an example, but as Figure 1 shows, there can be many drivers of an organization’s CR activities. Regulations and legislation, such as the California legislation mentioned above, are just one of many possible drivers of CR activities in an organization.

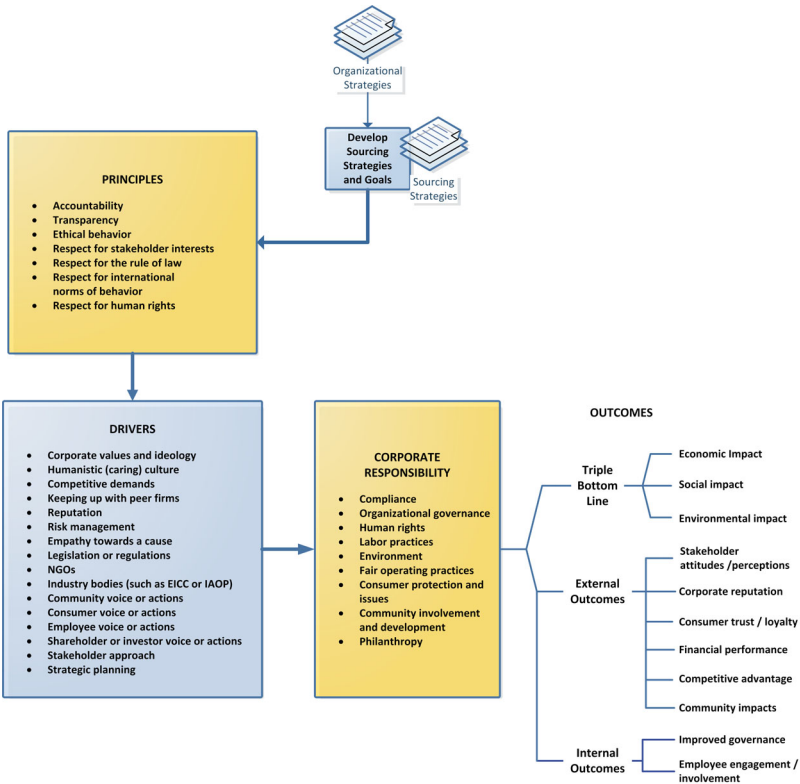


Figure 1: Drivers of Corporate Responsibility

Outsourcing provider Accenture has also examined sustainability in a study that gathered input from 766 CEO members of the UN Global Compact (Berthon, et al., 2010). The study reports that “93% of CEOs see sustainability as important to their company’s future success.” Seventy two percent of the CEOs identified education (a social issue) as the most important sustainability issue, with 66% of the CEOs identifying climate change (an environmental issue) as the second most important issue.

Organizations are responding to a steady rise in public awareness of green issues. The *Sustainability & Innovation Global Executive Study* from The

Boston Consulting Group (BCG) and MIT Sloan Management Review¹ is based on survey responses from 3,000 managers from 113 countries. In their responses, 70% of executives said that their companies have made sustainability a permanent fixture on the management agenda. But not all organizations are implementing robust CR programs and reaping the benefits. Studies have shown that CR activities have led to increased sales, decreased costs, reduced risks, and enhanced market share values for organizations. About half of the organizations in one recent study expect to see near-term profitability improvements as a result of their sustainability activities. Many organizations report that they have added or are planning to add “green” factors or clauses in their outsourcing provider selection or renegotiation processes.

Corporate responsibility spans many aspects of an organization’s routine business activities. Or said another way, an organization’s routine business activities demonstrate the organization’s social responsibility. As an example, Table 1 below depicts the guiding principles for the economic, social, and environmental responsibilities of businesses, as defined by the National Voluntary Guidelines, developed in India (India, 2011).

Table 1: Guiding Principles of India’s National Voluntary Guidelines

Principle 1:	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
Principle 2:	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
Principle 3:	Businesses should promote the wellbeing of all employees
Principle 4:	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
Principle 5:	Businesses should respect and promote human rights
Principle 6:	Business should respect, protect, and make efforts to restore the environment
Principle 7:	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
Principle 8:	Businesses should support inclusive growth and equitable development
Principle 9:	Businesses should engage with and provide value to their customers and consumers in a responsible manner

1 See <http://sloanreview.mit.edu/feature/sustainability-strategy> and the accompanying interactive tool at <http://sloanreview.mit.edu/sustainability-interactive-tool/>

Why is CR important? CR is important to organizations for a variety of reasons:

- It enables organizations to focus on issues important to their business relevant to the triple bottom line. In addition, it can give compliance a business focus, as well as providing a means to reduce risks to reputation
- It can add both tangible and intangible value to the organization and its stakeholders, and can offer a competitive advantage to the organization.
- It provides a mechanism to address responsible sourcing concerns of clients regarding their suppliers, as well as those of end users or consumers

The concept of CR is certainly not new; it just hasn't had an overwhelming clear voice or significant emphasis within the outsourcing field in the past. Many companies have made charitable contributions, involved themselves in community services work, sponsored socially-minded activities, and directed portions of their general purchasing and contracting toward disadvantaged groups. The same, and much more, can be done in outsourcing, by establishing a clear voice that establishes, when outsourcing to third parties, organizations do not abrogate their responsibility for how the outsourced services are delivered and for their social, community and personal impact.

CR matters to organizations involved in outsourcing, because:

- It enhances the business brand and can be criteria for being selected for business, or for repeat business
- It demonstrates people's fulfillment of their promise to engage in good governance and behave ethically
- It can enhance community spirit and lead to positive outcomes in communities affected by outsourcing
- It can support global equity
- It can enhance environmental sustainability and reduce waste
- It can help to overcome outsourcing's poor reputation

Social responsibility has been noted as an emerging outsourcing trend since at least 2008. In IAOP's *Predictions for Top Outsourcing Trends for 2008*, an emerging focus was on socially responsible outsourcing and corporate citizenship. IAOP's *Top Five Outsourcing Trends for 2009* again identified social responsibility and environmental responsibility as a top five trend, focusing on responsible business

environments throughout outsourcing, and green operating environments, especially at technology, real estate and manufacturing outsourcing service providers. Corporate responsibility is increasingly important in the thinking of outsourcing clients and providers. The case studies in this Guide are good examples of the maturity of thinking and action in this area.

CR in outsourcing often focuses on four components — governance, people, community and the environment. The “governance” component emphasizes an organizational governance system that allows and supports corporate responsibility within the organization’s decision making and execution processes. The “people” component relates to employee issues such as fair pay, good working conditions and diversity, while the “community” area focuses on economic and charitable efforts, both locally and globally. The “environment” aspect relates to green practices that help reduce energy consumption and effective environmental management, implementing principles such as reduce, reuse, and recycle.

“CSR has become a more important standard for measuring corporate ethics and social consciousness. This is not just an American phenomenon; this standard is being discussed and adopted globally,” said Jagdish Dalal, IAOP’s chief advisor, thought leadership. This heightened global awareness is important as outsourcing is increasingly global in many various forms of offshoring, cloud computing, and ‘crowdsourcing’.

IAOP has been an advocate for corporate responsibility as it pertains to outsourcing, and is addressing this topic through programs and standards development activities, including:

- Training and certification programs, such as the Certified Outsourcing Professional® (COP) program
- IAOP chapter informational meetings and seminars
- The annual Outsourcing World Summit® – Enhancing outsourcing’s image by prioritizing CSR as a main track at the Outsourcing World Summits®
- Outsourcing Hall of Fame induction for industry leaders who contribute to business and society
- The Code of Ethical and Business Practice Standards for Outsourcing Professionals and the OPBOK’s Outsourcing Professional Standards (OPBOK 2010)
- Award programs, such as the IAOP/ISG Global Outsourcing Social Responsibility Impact Award (GOSRIA)

“We want companies involved with outsourcing to become known for adhering to the highest ethical standards, contributing to their communities, bettering the environment, and expanding career opportunities and training for their employees,” says Michael F. Corbett, IAOP’s chairman. “It’s good for business, the economy and the planet.”

That is why IAOP has developed this *Outsourcing Professionals’ Guide to Corporate Responsibility*. This work, sponsored by the IAOP CSR Committee, is the culmination of five years of effort and reflects the growing trends in all industries for more responsible social and environmental actions. The Guide provides an overview of CR issues that are relevant to outsourcing. It describes different CR models and global standards for providers and buyers to consider. The Guide describes best practices from leading outsourcing organizations and presents a maturity model to measure outsourcing levels. Finally, the Guide addresses how to implement CR initiatives in outsourcing organizations.

1.2 CSR Trends in Outsourcing

Global outsourcing is an unstoppable trend, driven by economic efficiency and enabled by low-cost ubiquitous information and communications technology (ICT). Indeed, in the last two decades, business and IT outsourcing (BPO, ITO) has migrated from a risky, radical strategic move to an expected operational consideration. Organizations are now able to plan and execute outsourcing arrangements with the assistance of experienced professional advisors and with the support of professional organizations such as IAOP. A body of knowledge has taken shape, reflecting the codified experience of thousands of outsourcing arrangements. Regarding outsourcing, instead of asking “Why?” corporate executives now ask “Why not?” and “How do I manage it for success?”

While outsourcing has grown, so too has the overall expectation for CR in outsourcing. CR is a broad topic, including issues such as worker health and safety, community involvement, philanthropy and environmental responsibility. Although several governments have mandated practices covering myriad CR issues, the global CR framework is neither consistent nor uniform. Chapter 2

provides an introduction to global standards, while Chapter 3 focuses on applying relevant standards in outsourcing.

The outsourcing industry can learn from other industries where work has been exported to global locations. For example, the garment industry faced stinging criticism and consumer backlash when it was revealed how low-cost child labor was used to produce expensive clothing.

Recognizing the growing need to address CSR in outsourcing, in 2009 IAOP commissioned a study of this issue with its members. Early results were presented at the European Outsourcing Summit and the final results were presented at The 2010 IAOP Outsourcing World Summit. The study brought in opinions from over 170 buyers, providers and advisors in the global outsourcing industry. On a five point scale where five represents a crucial component of business strategy, both outsourcing providers and buyers rated CSR at 3.9. Seventy-one percent of the respondents indicated that CSR will grow in importance over the next three years, and 70 percent are taking action to improve their CSR performance. The larger outsourcing providers have already taken strong steps towards CSR, implementing formal mechanisms such as the Global Reporting Initiative (GRI) and the UN Global Compact (UNGC), which are discussed in Chapter 2. The IAOP CSR study found that small and medium-sized providers had the strongest intention to increase CSR capabilities in the next three years.

The importance of CSR in outsourcing is growing, according to the study. Customers consider CSR in over 60 percent of their outsourcing decisions. In particular, customers told us that 30 percent of the time they always or often consider the CSR capability of the provider when making an outsourcing decision. An additional 34 percent of customers sometimes consider CSR in an outsourcing decision. In field interviews, customers told the research team that they look for a fit with their cultural values: if the customer places a high value on CSR, they expect the same from their outsource provider. CSR is growing in importance in all businesses, and therefore in outsourcing.

In terms of CSR priorities, Table 2 presents the relative order of importance for CSR topics among those surveyed. Interestingly, Community Involvement – which involves philanthropy and support for community activities (education, sports, arts, etc.) – is relatively low, about half as important as the top issue of Labor Practices.

Table 2: CSR priorities (from the IAOP 2009 survey)

CSR Topic	Percentage of customers who include this in CSR evaluation of provider
Labor Practices	59%
Fair Operating Practices	51%
Human Rights	46%
Consumer Issues	44%
Environmental Issues	42%
Community Involvement	29%

Labor practices, fair operating practices and human rights are of increasing interest due to public awareness and scrutiny of labor conditions at outsourcing and offshore manufacturing locations, and concerns over ethical operations and corruptions. Environmental responsibility may be of particular interest because of the growing awareness of environmental issues such as climate change, global warming, and concerns over energy usage and costs. ICT is responsible for approximately 5 percent of national electrical power consumption, while the cost of power is expected to continue to increase, possibly becoming the largest component of ICT total cost of ownership. In a related 2008 research study, we found that customers have placed environmental issues higher as they embrace “green” outsourcing.

The 2009 IAOP CSR survey showed that CSR is an important and growing business issue for outsourcing customers and providers – 71 percent said that CSR will become more important or much more important in future outsourcing contracts. The 2011 survey results show this remains true, with 70 percent of respondents continuing to support the view that CSR will be important in outsourcing contracts.

In 2011 IAOP repeated this survey, again gaining a global perspective on CSR in outsourcing. 207 respondents participated, a 16% increase over the initial survey. Slightly less than half of the respondents came from the United States. 30% of respondents are outsourcing customers, 48% are providers, and advisors accounted for 18% of respondents. The remaining three percent were academics

and press members. During 2013, IAOP members will again be surveyed and this perspective updated.

1.3 Ongoing Importance of CSR in Outsourcing

In 2009 71% of respondents indicated that CSR was important; 2011's results show that this continues to be true. We asked: "Do you expect that CSR considerations will become less important, stay the same, or become more important in future outsourcing contracts?" From the survey data, those who felt CSR would become more important or much more important remained at 70% in total. Figure 2 highlights these results. While fewer respondents saw CSR as much more important in future contracts, this reflects a maturing of the outsourcing industry's acceptance of CSR. In contrast, only 6% expect CSR to become less important in future outsourcing contracts, in line with 4% reporting in 2009.

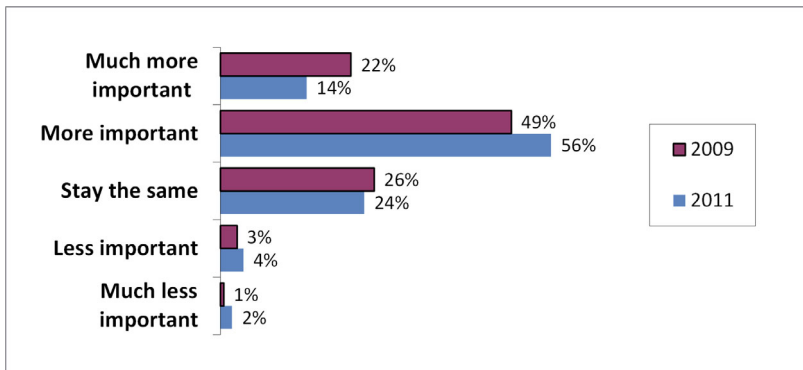


Figure 2: Buyer CSR expectations in future outsourcing contracts

1.4 Trends in Socially Responsible Outsourcing

The surveys show strong growth in those who consider Socially Responsible Outsourcing (SRO), growing from 58% (2009) to 74% (2011). SRO examples

include impact sourcing, direct employment through remote or rural sourcing, and outsourcing to developing regions or places with limited economic opportunity (e.g. rural U.S.).

Impact Sourcing is just one form of Socially Responsible Outsourcing. Impact Sourcing employs poor and vulnerable people with limited opportunity for sustainable employment as principal workers in business process outsourcing and information technology outsourcing centers to provide information-based services to domestic and international clients.

The 2011 results show a significant drop in the number of organizations that say they *never* engage in socially responsible outsourcing.

1.5 Importance of CSR for Service Providers

Organizations feel that their stakeholders expect CSR, so providers will see this reflected in outsourcing deals. Figure 3 below shows, across the 2009 and 2011 surveys, greater perceptions that customers (end users who use or consume a company's products or services) care about social conditions at outsourcing providers (30% report that sixty percent or more of their customers are concerned about social conditions at outsourcing centers, compared with only twenty-one percent of customers reporting a similar level of concern in 2009).

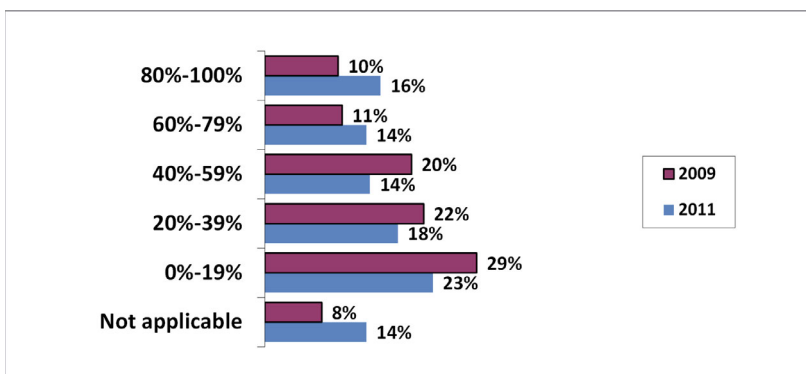


Figure 3: Customers concerned about social conditions at outsourcing centers

In 2011, when we asked buyers if they have considered the CSR capability of the outsourcing provider in making outsourcing decisions, we saw a significant jump from 8% (2009) to 23% (2011) of buyers who always consider provider CSR capability when making an outsourcing decision.

The 2011 results showed an overall 5% increase in the number of organizations who consider provider CSR capability when making an outsourcing decision. In contrast, the number of respondents who never consider CSR dropped from 12% to 3%. Figure 4 below shows these results.

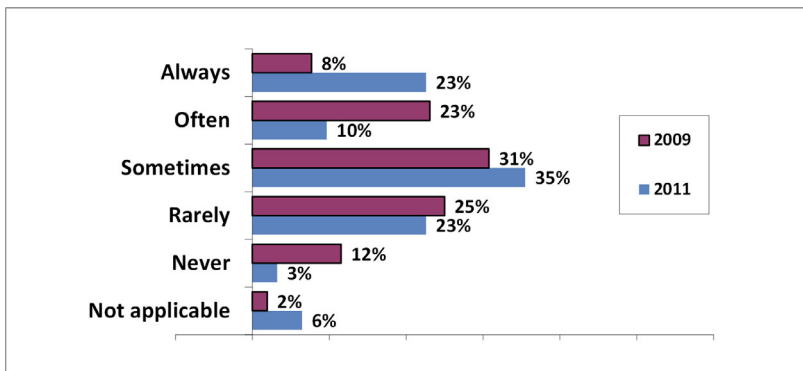


Figure 4: Buyers who consider provider CSR capability in outsourcing decisions

CSR in outsourcing is not a fad that is going away. The 2011 IAOP survey results again reflect this, with seventy percent continuing to support the view that CSR will be important in future outsourcing contracts. Providers who aren't active in CSR may be eliminated as buyers become increasingly focused on both social conditions and environmental considerations at the global locations where services are provided.

1.6 Continued Growth of CR and CR Reporting

These trends in outsourcing are reflective of broader industry trends in corporate governance, corporate responsibility and sustainability activities. In the past year, fifty-three percent of the S&P 500 companies have released a CSR or sustainability report, with the majority of those using the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) for structuring their reporting process and CSR or sustainability reports. This is a jump from just 20 percent the previous year. Organizations are moving in this direction not only because of regulatory compliance and risk management drivers, but also because of competitive drivers.

Sustainable procurement and supply chain management is a mature concept amongst many responsible organizations. Sustainable procurement, also referred to as 'Green Buying' or Responsible Sourcing, is increasingly mature in both principle and practice and is practiced by organizations around the globe, including firms such as Infosys, Accenture, CBRE, National Australia Bank, Northern Trust, and Microsoft, to name a few. For example, National Australia Bank's Supplier Sustainability Program was implemented to monitor and manage sustainability risks within their supply chain, alongside their Responsible Procurement Program, and they qualify their suppliers based on support of these policies. Other organizations, such as Insurance Australia Group (IAG), have embedded Responsible Procurement in their supplier performance reporting.

When we began our work in the IAOP CSR Committee about 5 years ago, we were struck by the lack of industry CR standards in the outsourcing industry, for both buyers and sellers. We saw that global outsourcing (offshoring) had a significant social impact on people and communities as work moved to different locations around the world. Yet the outsourcing industry did not (and still does not) have a CSR code of conduct and most providers are still early in their adoption of global standards.

In some respects, our CSR efforts are intended to help encourage the outsourcing industry to catch-up with the rest of corporate world leaders. Some have already done so, but most have not. For example, only a handful of outsource providers file an annual GRI report, have signed the UN Global Compact, or evaluate their carbon emissions using the CDP (Carbon Disclosure Project).