



Social innovations in outsourcing: An empirical investigation of impact sourcing companies in India



M.S. Sandeep ^{a,1}, M.N. Ravishankar ^{b,*}

^a UNSW Business School, Quandrangle Building, Kensington Campus, UNSW Australia, Sydney, NSW 2052, Australia

^b School of Business & Economics, Loughborough University, Leicestershire LE11 3TU, UK

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ABSTRACT

Impact sourcing – the practice of bringing digitally-enabled outsourcing jobs to marginalized individuals – is an important emerging social innovation in the outsourcing industry. The impact sourcing model of delivering Information Technology and Business Process Outsourcing (IT–BPO) services not only seeks to deliver business value for clients, but is also driven by an explicit social mission to help marginalized communities enjoy the benefits of globalization. This dual focus has led to the ambitious claim that social value creation can be integral to (and not always by-products of) innovative IT–BPO models. Given the relative newness of the impact sourcing business model there is scarce research about how impact sourcing companies emerge and the process through which entrepreneurs build and operate such companies. This paper draws on a qualitative study of seven Indian impact sourcing companies and develops a process model of the individual-level motivational triggers of impact sourcing entrepreneurship, the entrepreneurial actions underpinning different phases of venture creation and the positive institutional-level influences on impact sourcing. The paper argues that since deeply personalized values are central to the creation and development of impact sourcing companies, the business model may not be easy to replicate. The analysis highlights an intensive period of embedding and robust alliances with local partners as crucial for the scalability and sustainability of the impact sourcing business model. It also emphasizes the role of ‘social’ encoding and mimicry in determining the extent to which impact sourcing companies are able to retain their commitment to marginalized communities.

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Introduction

Impact sourcing is an emerging social innovation in outsourcing (Batstone, 2013; Heeks, 2013; Lacity et al., 2014). It is the practice of bringing digitally-enabled outsourcing jobs to marginalized communities. Slowly but surely impact sourcing is being recognized as a socially conscientious way of delivering Information Technology–Business Process Outsourcing (IT–BPO) services (Gino and Staats, 2012; Heeks, 2013; Madon and Sharanappa, 2013). In this paper, we focus on impact sourcing companies (and on the entrepreneurs who launch such companies) in India.² These companies combine the business

* Corresponding author. Tel.: +44 1509228823; fax: +44 1509223960.

E-mail addresses: sandeep.ms@gmail.com (M.S. Sandeep), m.n.ravishankar@lboro.ac.uk (M.N. Ravishankar).

¹ Tel.: +61 2 9385 5320; fax: +61 2 9662 4061.

² Appendix A provides a broader overview of organizations engaged in impact sourcing.

logic of traditional IT–BPO vendors and the prosocial logic of charitable institutions (Heeks, 2013). The impact sourcing model is innovative in that it provides a novel template for organizing IT–BPO activities by reconfiguring the traditional IT–BPO model into a “socioeconomic hybrid” (Battilana and Dorado, 2010) model; in the impact sourcing model “social value creation” is a consciously stated, long-term intent of the entrepreneur(s) and not merely a by-product of the company’s commercial orientation. In other words, impact sourcing belongs to a class of strategic innovations that aspire to squarely address social problems through business venturing. There are suggestions in the extant literature that the impact sourcing model has tremendous potential to foster socioeconomic development in the global south (Madon and Sharanappa, 2013) and positively impact the lives of marginalized communities (Carmel et al., 2013; Heeks and Arun, 2010; Lacity et al., 2014; Madon and Sharanappa, 2013; Malik et al., 2013).

In their quest to create both business and social value, impact sourcing entrepreneurs deviate in some fundamental ways from the established norms and prevailing logics governing mainstream IT–BPO models. Generally, new models of organizing face the daunting task of mobilizing resources, countering critics, and establishing legitimacy and credibility (Aldrich and Fiol, 1994; Maguire et al., 2004). Likewise, impact sourcing entrepreneurs face the uphill task of building and operating impact sourcing companies in an environment where potential clients are still unsure about the value proposition of impact sourcing (Accenture, 2011; Heeks, 2013) and marginalized communities are wary about the motives of impact sourcing companies (Sinkovics et al., 2014). A limited body of research has looked into the impact of impact sourcing on marginalized individuals (e.g. Heeks and Arun, 2010; Lacity et al., 2014; Malik et al., 2013; Madon and Sharanappa, 2013), the positioning of impact sourcing companies within marginalized communities (e.g. Sandeep and Ravishankar, in press) and the value proposition of impact sourcing for potential clients (e.g. Accenture, 2011). However, given that impact sourcing is a relatively new phenomenon there are still notable gaps in the literature. In this paper, we aim to address two of these gaps. First, there is very little research into the motivational underpinnings of impact sourcing entrepreneurship. A better understanding of the individual-level motivational triggers can provide crucial insights into the early stages of impact sourcing venture creation and the contextual conditions that support (and constrain) the development of impact sourcing entrepreneurship. Second, the process through which entrepreneurs build and operate impact sourcing companies has not yet been explored in any great depth. A process-based view of the development of impact sourcing companies can potentially throw light on the key challenges confronting the business model as well as offer a richer conceptualization of how outsourcing can be used as a tool to achieve social innovation. Thus, this paper addresses the following two exploratory questions: (1) What are the individual-level triggers of impact sourcing entrepreneurship and (2) How do impact sourcing entrepreneurs build and operate impact sourcing companies?

To answer these questions we draw on a largely inductive, qualitative study of seven Indian impact sourcing companies. Theoretically, we build on insights from the *social entrepreneurship* literature. This stream of literature is primarily concerned with the entrepreneurial actions of individuals and organizations pursuing dual (social and commercial) objectives (Corner and Ho, 2010; Miller et al., 2012). Thus, it is particularly well-placed to offer potentially relevant insights into the motivations of impact sourcing entrepreneurs and their efforts to build impact sourcing companies.

Social entrepreneurship

Broadly, entrepreneurial activities of individuals and organizations that create ‘social’ value are described as ‘social entrepreneurship’. More specifically, social entrepreneurship can be viewed as a process that involves “the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs” (Mair and Marti, 2006, p. 37). Recognizing the complex and contested nature of social entrepreneurship, Choi and Majumdar (2014) conceptualize it as a “cluster concept” comprising of sub-concepts such as social value creation, social innovation, the social entrepreneur, the social entrepreneurial organization and market orientation. The overtly stated intent of creating social value distinguishes social entrepreneurship from commercial entrepreneurship (Corner and Ho, 2010; Miller et al., 2012). While profit is seen as the prime driver of commercial entrepreneurship, it is the social mission that shapes social entrepreneurship strategies.

Given that principles of social entrepreneurship are at the core of the impact sourcing model, we first review this stream of literature, with a particular focus on the individual level triggers of social entrepreneurship and on the process of building and operating social enterprises.

Individual level triggers of social entrepreneurship

The social entrepreneurship literature has looked into what motivates or “tips” an individual to start social ventures (e.g. Corner and Ho, 2010; Miller et al., 2012; Renko, 2013). One aspect that has received attention is the role played by *affect*, i.e. feelings and emotions, which induce prosocial behavior in individuals. The most widely researched emotion in this area is *compassion*, cited as a principal influence of social entrepreneurship (Dees, 1998; Miller et al., 2012). Miller et al. (2012) argue that the “other-orientation”, or the experienced connection to the sufferings of other individuals, affects the cognition and behavior of individual. In response to these heightened feelings of compassion, individuals may choose to pursue prosocial actions. In addition to “positive” emotions such as compassion, there may be whole range of other emotions, including “negative” emotions that may encourage prosocial behavior in individuals (Miller et al., 2012). Negative emotions such as

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