Chapter 6

Ethical Outsourcing and the Act of Acting Together

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ABSTRACT

The European Commission (2011) defines Corporate Social Responsibility 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” (p. 3). Outsourcing affects the interests of laborers and ethical outsourcing protects their interests through the act of acting together, ensuring that labor protection is a shared responsibility between the participants. An aspect of social philosophy helps rectify this problem by introducing ethical outsourcing that occurs upon fulfilling the combination of three features: (1) the inclusion of all participants in a joint activity, (2) all participants agree to enter into a multi-lateral agreement, (3) the voluntarism of each participant practicing CSR is strengthened by the peer-to-peer demands of fulfilling these obligations. This chapter proposes that business leaders must find incentives engaging their outsourcing participants in multi-lateral contractual agreements. The empowerment of the participating organizations is incentivizing because of the engagement in participatory decision-making through the act of acting together.

INTRODUCTION

Corporate Social Responsibility (CSR) is a notion, which treats the stakeholders of businesses ethically or in a responsible manner (Hopkins, 2007). At its best, CSR is a multi-level phenomenon involving multiple actors from employees, consumers, management, institutional investors, pressure groups and the CSR-embracing business partners, jointly shaping the behavior of other corporations (Aguilera, Rupp, Williams & Ganapath, 2007). CSR is defined 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 (European Commission, 2011, p. 3). This integration of concerns promotes business sustainability as opposed to making profits, which requires the volition of pro-CR actors (Drexhage & Murphy, 2010).
A globalized world entails a convoluted network of these pro-CSR actors. This chapter argues that this convoluted network of pro-CSR actors dilutes their influence in non-CSR practicing corporations’ behaviors. From here, it explores the method of outsourcing and suggests that CSR practices can thrive through the empowerment of pro-CSR actors and the act of acting together with non-CSR practicing corporations.

‘Outsourcing’ is the process whereby an outsourcer sub-contracts its tasks onto an outsourced partner. These tasks could be of any nature, and may involve numerous participants from many sectors. For example, a pair of trainers in the retail shop will have involved numerous participants working in logistics, warehouses, factories, plantations, and advertising. These participants might reside within the outsourcer’s jurisdiction where outsourcing might be in the form of marketing, finance or research and development (Milberg & Winkler, 2013). Or, they might reside overseas, which it is also known as ‘off-shoring’, where outsourcing might be in the form of manufacturing or service providing such as call centers and customer care (Milberg & Winkler, 2013).

Outsourcing promotes a culture of interdependence between business leaders and their respective businesses on a global, regional and domestic scale. Outsourcers are dependent on outsourced partners for having access to labor, resources and for supplying their products to consumers. Their outsourced partners are also dependent on them for business. For example, the retail sector, which supplies finished products such as coffee, clothing, and footwear, is dependent on the manufacturing sector, which manufactures these products. The manufacturing sector is dependent on the suppliers of raw material such as the coffee bean growers, the cotton growers and the latex harvesters. All three of these sectors are dependent on the logistics companies, which are transporting, storing and distributing the materials between the sectors, and also making the outsourcer’s finished products available to consumers. It can be said that the main participants in outsourcing are the laborers who are engaging in all sectors and that their interests are being protected by the notion of CSR. For example, the cotton growers and the latex harvesters would like to be able to trade their produce fairly in order to maintain a sustainable business. A retailer’s CSR would be that they ought to be trading with the suppliers of raw materials fairly.

The interdependence between businesses is conventionally bridged by a minimal legal requirement, which is a bilateral outsourcing agreement between the outsourcer and the outsourced partner (Willcocks, Cullen & Craig, 2011). It is also considered best practice that a code of conduct is incorporated into the agreement (Willcocks et al., 2011), which protects the interests of third parties and protects the interests of the outsourced partner’s employees. A code of conduct codifies CSR values because this document acknowledges stakeholders’ interests such as socio-economic rights. These values will generally manifest in their pragmatic form focusing on the socio-economic needs of employees such as employees being paid fair wages, having resting periods, and being provided with a safe working environment. It is the outsourcer’s social responsibility to ensure the implementation of these codes of conduct and that it is the outsourced partner’s governance to abide by them. Here, CSR is not entirely shared between two parties because one implements and the other abides.

In some instances, both parties overlook CSR. As a result, the interests of laborers are not protected. The media has uncovered instances whereby there is a deficiency in implementing CSR practices. This chapter utilizes the 2010 suicide incidents at Foxconn’s factory in China (The Guardian, 2013, August 02) and the 2013 Rana Plaza’s collapse in Bangladesh (The Guardian, 2013, October 24) to demonstrate this deficiency, which is the result of outsourcing’s minimal legal requirement.
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