Integrating Sustainability and Outsourcing

Corporate social responsibility is about leading by example, not just philanthropy.

Development Lead, Tata Consultancy Services

Sustainability involves incorporating environmental and social impacts into all decisions made by a company [including outsourcing]. Companies now have to be aware of the claim of hypocrisy – being good at home, but bad abroad…CSR is about the rules you should follow, as the law only goes so far.

Dr. Kernaghan Webb, Director, Institute for the Study of CSR, Ryerson University

Introduction

Our research has tracked the evolution of sustainability into outsourcing arrangements since 2005. We have observed the increasing importance given to sustainability issues by buyers who demand that their providers are able to match the standards through the outsourcing supply chain.

This chapter asks the question: how are buyers and providers incorporating sustainability into outsourcing relationships?

On the basis of the research undertaken between 2008 and 2010, this chapter reports the findings from studying how organizations are incorporating sustainability into relationships and in some cases collaborating. This chapter identifies the step changes that buyers and providers have taken to incorporate sustainability into outsourcing relationships and the processes and practices on which it should be based.

In this chapter, we study two relationships selected for the client’s outsourcing experience and relative maturity in dealing with sustainability.
issues in their domain. We also report on the views of experienced practitioners, including senior executives in provider firms, consultants and lawyers, about the outsourcing sustainability models benefits and practices.

The chapter proceeds first by giving details of two cases focusing on how sustainability was incorporated into the outsourcing arrangement. We then describe a framework for incorporating sustainability into outsourcing relationships with lessons for both buyers and providers. Throughout the chapter, we provide examples drawn from recent research.

**Incorporating sustainability into outsourcing: Emerging models**

We noted in our research that there were organizations leading the way toward incorporating sustainability into outsourcing with providers. The first case study presented below is from our study of Enbridge Gas Distribution in Toronto, Canada, where both IT and business processes were outsourced to two global outsourcing providers, Accenture and TCS. The second case study is from our study at Rio Tinto mining in Montréal, Canada, where once again both IT and business process services were outsourced to Accenture and CGI. The two case studies provide several blueprints of practices they were working on, in particular the standards, and processes such as balanced scorecard measurements and importance of aligned values between buyer and provider, the “cultural fit”.

**Case 2.1: A gas company’s integration of sustainability with its provider**

Enbridge provides an interesting case study because of its prominent public sustainability profile and very extensive engagement in IT outsourcing over the last ten years. Enbridge Gas Distribution is a business unit of Enbridge Inc., a larger publically traded corporation. Enbridge Gas Distribution represents 16% of the overall Enbridge Inc. corporate earnings for the year 2010. Enbridge has three currently active outsourcing contracts. The contracts are long-term (one is for ten years, another is a five-year term) and of significant value. The company outsources its customer service business operations, enterprise system (SAP) support and additional staff skills. All outsourcing decisions are reviewed by the executive management team (EMT), and the director of public, government and aboriginal affairs is a member of that team. When outsourcing decisions are made, sustainability is not an explicit evaluation criterion, but the director of