Consideration of selflessness and self-interest in outsourcing decisions

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Abstract

Purpose – The paper aims to discuss the need to balance selflessness and self-interest issues in outsourcing decisions. This discussion is timely given the tensions that currently exist between those who want off-shore outsourcing to continue as a means for increasing international trade, and those who only want to conduct business on-shore.

Design/methodology/approach – A conceptual approach has been taken in this paper in order to highlight key considerations for ethical decision-making with respect to off-shore outsourcing.

Findings – Considerations of selflessness and self-interest are embedded in outsourcing decisions. It is recommended that a balance between making profits and fulfilling social responsibilities is required, ideally, at each stage of decision-making. Hence, managers should think critically about the reasons behind off-shore outsourcing decisions, the process of arriving at decisions, and the impact of their decisions on stakeholders.

Research limitations/implications – This is a conceptual paper and further empirical data to validate the stages of decision-making framework are required.

Practical implications – Failure to take into account the selflessness and self-interest outcomes of off-shore outsourcing could potentially off-set strategic gains by leading to negative media publicity for a company.

Social implications – Ethical considerations as part of outsourcing decisions should result in a transparent, fair and more humane working environment for both the host and the home country representatives involved in the process.

Originality/value – This paper presents an original framework of selflessness and self-interest considerations when making off-shore outsourcing decisions. Both Eastern and Western business perspectives have been incorporated as part of the decision-making framework.

Introduction

There are a number of considerations (including the ethical issues) for managers when making off-shore outsourcing decisions. For instance, a point of debate and an ethical dilemma encountered by managers is with respect to the salaries and benefits paid to employees. Should salaries and benefits be comparable to the host country's standard of living or to those of the home (generally developed economies) country? Should companies in the home country oversee and even dictate the working conditions of their outsourced suppliers, or should those decisions be left to the discretion of the host country suppliers? Accordingly, the equal treatment of employees and their potential exploitation (for example, less than proper breaks, less pay, unsafe working conditions) can become an issue and, either directly or indirectly, the responsibility of the home country managers (Kimura, 2002; Marjit and Mukherjee, 2008). Please note that when discussing "outsourcing" in this paper, we are referring to off-shore outsourcing. No reference is being made to on-shore outsourcing, unless explicitly specified.

This paper aims to look at the interplay between selfless and self-interested outcomes of decisions made by managers when contemplating their organisations' need to outsource. In this paper, the balancing act at the broad, strategic level of decisions that need to be made has been considered, rather than a focus on the decisions required at the individual level. The paper begins by presenting a brief history and background of outsourcing.

Outsourcing: from the past to the present

The practice of outsourcing can be traced back to the services of mercenaries in ancient civilisations such as the Roman Empire (Remy, 2008; Beutel, 2008). The Western Industrial Revolution paved the way for today's companies to broaden outsourcing across the manufacturing and services sectors by harnessing the energy and technology of the day. During the Western Industrial Revolution, development was characterized by a socio-demographic shift to centralised production in dedicated factories, and movement away from the previous methods of production that were centred upon dispersed cottage enterprises. As a result, social structures were subsequently altered and economies of scale delivered efficiencies and advances in productive capacity (Snowdon, 2007; Lucas, 2009).

In concert with the Industrial Revolution, the writings of Adam Smith contributed to the free market foundations upon which global outsourcing rests today. Zutshi *et al.* (2009) identify the laissez-faire market ideal that came to be associated with Smith. It was later, during the Great Depression of the early twentieth century, that the Keynesian model of greater government intervention emerged to temper the free market foundations that had prevailed until that time (Wray, 2007; Redburn, 2000). Once the economic situation improved after the Great Depression, and then again after Second World War, and there was a need for industrial production targeted at the emerging consumer, Milton Friedman revived the sentiment of Smith's dislike of increased government intervention (Friedman, 1962; Keller, 2007; Fox, 2008). While some Smith scholars defend his social responsibility ethic (Smith, 1993; Keller, 2007), it is widely-accepted that his theory lent weight to a whole generation of capitalists to champion the profit motive and the pursuit of individual need-satisfaction in a free market system (Smith, 2008; Schliesser, 2008). Throughout the twentieth century, technological and scientific advancements converged with socio-political factors to progressively build globalisation as a significant commercial force (Janelle and Beuthe, 1997; Fisher, 2010).

The emergence of modern outsourcing theory and practice can be earmarked as occurring during the 1960s (Sobol and Apte, 1995; McFarlan and Nolan, 1995; Apte *et al.*, 1997; Costa, 2001). Others believe that Eastman Kodak's decision in 1989 to outsource their IT functions to an IBM-led consortium was a turning point in the development of the field of outsourcing (Loh and Venkatraman, 1992) as witnessed today. The emerging economic superpowers of India and China participated, along with many other developed economies, in supply chain arrangements that served to rapidly change the global economic climate (Mullin, 1996; Cusmano *et al.*, 2009).

Today, outsourcing is frequently proposed as a way to reduce costs and boost profitability (Egger and Egger, 2003; Shy and Stenbacka, 2003; Antras and Helpman, 2004; Cohen and El-Sawad, 2007; Cowen, 2011; Reindl, 2011; Hahn *et al.*, 2011). Whilst, in this paper, the benefits of outsourcing are not comprehensively discussed, the acknowledgement is made that outsourcing allows companies to purchase outside expertise that may not be available from their internal employees, and/or to obtain labour cost advantages on existing skill requirements. It is also a means to access innovative products and services (Coyle *et al.*, 2008) that may result in a competitive advantage. Outsourcing is often a quicker and less expensive short-term solution than training current employees in skills which they may not frequently use as a part of their regular responsibilities. Outsourcing also allows companies to develop and improve their relationships with international partners or suppliers whilst sharing the risks in the operation. Companies, accordingly, can make strategic decisions about their internal resources, including developing the flexibility to address dynamic organisational conditions (Coyle *et al.*, 2008). The financial, pharmaceutical and automotive sectors abound with examples of outsourcing (Richman and Trondsen, 2004; Nims and Myers, 2010; Proff, 2011) as companies in those industries attempt to cut costs, increase profits and concentrate on their core businesses (Gaither and Frazier, 2002; Coyle *et al.*, 2008).

The robust future of outsourcing persists in the wake of global economic malaise post global financial crisis (GFC). For example, the total global business process outsourcing (BPO) market is forecast to exceed US$930B by 2015 (Global Services, 2011). Specific sectors, such as IT continue to grow. Companies are spending more of their IT budgets on outsourcing services: outsourcing expenses as a percentage of total IT spending rose at the median from 3.8 per cent in 2008 to 6.1 per cent in 2009, and then to 7.1 per cent in 2009-2010 (Computer Economics, 2010). Midway through 2011 total outsourcing contract values were 13 per cent higher in Europe and 55 per cent higher in the Asia Pacific. While the total market was down 18 per cent due to weak US performance and general global uncertainty keeping large contract commitments down; forward contracts were indicative of a lift by full-year in line with 2010 results (TPI, 2011). Indicative of the growing role of the Asia Pacific region, India's share of the BPO industry is estimated at $1.4 billion in 2011 and growing to $2.47 billion by 2014, due to expanding scope of existing BPO contracts and plenty of new BPO deals being struck (Government of India, 2011). The integrated nature of global economics and labour market opportunities means outsourcing continues to be a crucial strategic tool with variety of regional dynamics.

There are advantages in outsourcing for both the home and host countries and companies, respectively. Nonetheless, organisational decision-makers also need to contemplate and take into account the ethical dimensions of the decisions they make. Outsourcing challenges can emerge from a lack of proper planning and control over the processes and the agents involved in the negotiations. There can be a loss or disregard for institutional memories of process controls and internal supply chain efficiencies when one is too swift to rely upon outside expertise (Machnik *et al.*, 2008). Operating costs can blow out in dysfunctional relationships with suppliers, and greater risks might be assumed by one organisation as a result of the legal differences across borders.

In developed nations including the USA, Germany and Britain, the effects of outsourcing on home labour pools have been well documented (Bloch, 1998; Minnick and Ireland, 2005; Brooks, 2006; Kalleberg, 2009; Cowen, 2011; Hira, 2011). The cost (saving) argument is often used as one of the primary reasons to outsource because costs (savings) have the potential to lead to improved economic circumstances in the home countries. Nonetheless, this utilitarian outcome often tends to ignore the immediate human impact on the workers whose work is being outsourced. In this equation, hence, we cannot overlook the impact upon employees' motivation and loyalty when outsourcing leads to downsizing in the home company (Maciejewski, 2007). There can be physical, physiological and psychological effects associated with redundancy, for instance, from the resulting need to retrain and search for new work. There are obviously strong economic reasons for outsourcing to continue in host countries such as China and India, but the human impact there ought to be considered in the same way it should in the countries in which the head office is to be found. Martin Luther King exhorted that, “The means we use should be as pure as the ends we seek” (Breslin, 1999, p. 25). This ideal calls for diligence where human factors are concerned.

Outsourcing leads to concerns about the privacy of information when customer and staff personal data is sent off-shore (Stefanick, 2007). In such instances, the existence and extent of the enforcement of legal and ethical controls over host companies operating across geographical borders needs to be questioned. Few assurances currently exist that sensitive commercial information will not be exploited or stolen by people in another country, as laws differ across borders. Events such as the false reporting scandal at global outsourcing giant, Satyam Computer Services, only serve to increase jitters about the risks of outsourcing (Johnson, 2009). Even when an organisation is not directly involved in outsourcing, there is a possibility that some of its suppliers or customers will be participating in the outsourcing process. The modern demands of social responsibility require that organisations strike a balance between conscience and profits. The reality is that outsourcing and subcontracting will be undertaken at some level, but the question is, at what cost to organisational reputation and relationships with stakeholders could, and should, this occur?

The next section presents a reflection on the relationship between outsourcing and corporate social responsibility (CSR). This is followed by presenting a set of questions and considerations that practitioners can contemplate and address when making outsourcing and resource-related strategic decisions. The last section encapsulates the limitations of this paper along with future research areas, whilst keeping in mind the continuing impact of the GFC of 2008-2009.

CSR and decision priorities

The definitions of CSR abound (De Maria, 2010; Kolk and Pinkse, 2010; Bénabouw and Tirole, 2010; Ferández-Kranz and Santaló, 2010). For the purpose of this paper, Campbell's (2007) definition of social responsibility, which has two main components, has been adapted. First, businesses must not knowingly harm stakeholders. Second, if it is brought to a company's attention that they are causing harm to their stakeholders, they must rectify it, either voluntarily or in response to normative pressure, legal requirements or some other sort of encouragement. The focus is, hence, twofold. First, a socially responsible business will contribute to their own competitive, long-term survival and development whilst taking into account the economic, social and environmental (both business and ecological) impacts of their activities on the communities in which they operate. Second, the business will identify and consider both shareholder and broader stakeholder needs and expectations for every decision made by the company.

Overall, CSR awareness amongst companies and individuals alike has dramatically increased over the last decade (Maon *et al.*, 2009). This sensitivity has arisen because of a combination of factors such: as pressure from consumers; stricter government regulations; a call from the community for more transparency in operations and reporting; and, last but not least, company scandals (Windsor, 2009; De Maria, 2010; Kolk and Pinkse, 2010; Svensson *et al.*, 2010). Addressing these varied stakeholder concerns is imperative for organisations if they wish to continue their profitable operations. To maintain a profitable bottom-line, a company also needs to counteract competitive pressure from their cross-border competitors, who may have breached the entry barriers into the markets by manufacturing and selling their products at less than comparable prices, service and/or quality.

To respond to the competitive and CSR pressures, whilst at the same time reducing their costs, organisations are striving to provide a greater return on investment (ROI) to their shareholders. Accordingly, many organisations have located parts of their operations and services off-shore, typically in developing countries, to benefit from lower labour and raw material costs. Furthermore, in developing countries, the laws pertaining to occupational health and safety (OHS), environmental emissions and waste disposal are not as strictly enforced compared to those in developed countries, which opens up another opportunity for companies to reduce their costs (Agnihotram, 2005). There are also reports of corruption expediting bureaucratic processes; and child and slave labour, for instance, in developing countries that could be used to varying degrees by companies to further trim down their outward expenses (Zutshi *et al.*, 2009; Lee, 2010; Jovanović, 2010). The question is, when organisations choose one or a combination of means to cut their costs, what are some of the (ethical) dilemmas faced by the decision-makers?

As highlighted in Figure 1, managers, whilst representing their organisations' interests when undertaking a cost-benefit analysis for off-shoring part of their operations, have to navigate through the maze of conflicting priorities. Should the managers listen to the customer demands for cheaper products (potentially manufactured in a developing country using child or slave labour) versus providing a product manufactured in the home country at a higher cost? If deciding upon the first option of off-shoring, managers also need to consider the repercussions from the same customers when they find out about the intricacies of the production methods used which may be abhorrent to their world view. Neglecting the latter could back-fire on the cost-saving strategies initially implemented, with resultant negative media publicity. At the organisational level, hence, wider social and organisational decisions need to be balanced between a Friedman-style strategy with a pure profitability focus, and one addressing the broader stakeholders and CSR requirements.

There are four levels of CSR, as espoused by Carroll (1979, 1991): economic (be profitable); legal (obey the law); ethical (consider views of self and others); and philanthropic (be a good corporate citizen). An organisation could comfortably operate and comply with the first two CSR levels (economic and legal) without necessarily spending resources on the third (ethical) and fourth (philanthropic) levels and respective responsibilities. Whilst profits undeniably remain one of the main priorities for organisations, our society (including organisational stakeholders), increasingly at the global level, now has expectations beyond those of economic and legal CSR levels. An organisation which ignores the higher social responsibility levels may have difficulty surviving in the long-term, and being sustainable economically and socially (Weisband, 2009). A positive relationship has been indicated in the literature between organisations (voluntarily) undertaking ethical and philanthropic responsibilities, and improvements in their relationships with their stakeholders, in addition to the development of a positive image (Buchholtz *et al.*, 1999; Mares, 2010). When thinking about the four levels of CSR practices and off-shore outsourcing decisions, managers need to consider various dimensions of inquiry (the Appendix). It should be noted that the questions presented in the Appendix are only a snapshot, and future research needs to formulate more questions and explore the accompanying issues.

The inter-relationships between the four aforementioned CSR levels and the questions in the Appendix are complex, and can sometimes leave managers in an “outsourcing limbo” struggling to reconcile all of the issues that must be considered and resolved. From our perspective, the “ethical” level of CSR involves the most uncertainty because of its inherent dilemmas. Integrating aspects of self-interest and selflessness (as discussed in the next section) during decision-making is one way of assisting managers to find the right balance when outsourcing.

Balancing between selfless versus self-interested decisions during outsourcing

This section presents some key considerations that decision-makers can contemplate and, as required and applicable, address when making outsourcing and resource-related strategic decisions. It is, thus, prudent to consider the ethical, moral and cultural foundations of the countries in which the work is to be outsourced. For instance, there is a lineage of thinkers who position a concern for others at the centre of their ethical viewpoints (Husserl, 1960; Hegel, 1977; Peperzak and Leávinas, 1993). There is a diverging group who propose the self as the first point of reference (Friedman, 1962; Brandt, 1972; Smith, 1993). The Western cultural background of these thinkers may be relevant in the formation of their ideas; however, similar notions can be identified in the east. Bilimoria (2005) points out that the ideal of selflessness is central to Hinduism, and the Hindu expectation of sacrifice of self would bring to a manager notions of economy and thrift that are pertinent for certain economic cycles (Yogeshananda, 1973). Akhilananda (1946) suggests that this selflessness is central to ethical living (dharma) and is part of the Hindu objective of attaining enlightenment. The motives of the self, combined with awareness of the consequences for others of decisions and actions, are aspects of the virtues of Confucianism and include humaneness, righteousness, propriety, wisdom and faithfulness (Yao, 2000; Zutshi and Creed, 2009). These ideals are hallmarks of selflessness which can lead, ultimately, to benefits for the self. Such balance in principles and regulations is intended to contribute to a “civil” society and, in contemporary times, can be linked to virtue ethics. When considering the ethics of outsourcing decisions, quite different outcomes could emerge when managers factor in selflessness. Figure 2 outlines some of these considerations and thought points for ethical responsibilities, and how they can be factored into the central ethical dilemma of self-interest versus selflessness when deciding to outsource.

It is also important to note that Figure 2 does not show the various challenges from external and internal environmental sources faced by managers that will also influence their decision to outsource. It must be remembered that as part of the decision, managers have to delicately balance, for instance, the price of a product with its level of quality. Further, deliberation about outsourcing also needs to ponder the realities of OHS and other legal requirements of the host country, the available employment pool (the skills, experience and educational and technical knowledge, as required) and whether the potential customers would be willing to buy the manufactured products from the host country.

The jigsaw of conflicting influences from Figure 1 is filtered through Carroll's (1979, 1991) CSR model, with emphasis on the philosophical and ethical factors redressing the current bias toward self-interest in global outsourcing decision processes. Figure 2 affectively encourages crystallization of the myriad pieces of the jigsaw in the minds of managers. The self-interested elements of each stage which, from our perspective, have tended to have a natural bias in past outsourcing decisions, are intentionally positioned in parallel with aspects of selflessness, essentially as key counterbalances.

Self-interest, in our view, has been the culturally dominant pathway for outsourcing decisions in Western organisations. Nevertheless, the global convergence of different countries and cultures engaged in supply chain relationships means a more holistic blend of selfish and selfless considerations must be utilised at each stage of the decision consideration. The local laws tend to become the benchmark, and the trouble with this situation is that laws are "frozen" social guidelines of the past and are not always reflective of current ethical or even economic sentiments. At the cross-border level, of course, the enforceability of laws is also stretched. A standard of ethical conduct, therefore, becomes very hard to establish and enforce unless it is driven by broadly acceptable values and standards of behaviour. This proposition is not to say that compliance with laws of the host countries is not a decision consideration for managers when contemplating off-shore outsourcing. Nevertheless, the situation is not as straightforward as alluded to earlier because a legal requirement or decision in one country can appear illegal and/or immoral in another. For example, the use of child labour can be acceptable in some parts of the world but be simply non-negotiable in others (Zutshi *et al.*, 2009). The difficulty is that a multinational company, observing the law in one part of the world, can receive global condemnation and negative publicity as a result of the very same actions and decisions generating moral distaste in a completely different part of the world.

Figure 2 proposes a selfless consideration of whether outsourcing could help others (for example, the local economy and standard of living) and be balanced against self-interested benefits for the organisation and the managers. Based on an assessment of the criteria, the managers have two options if the decision is made to outsource. The first is to outsource with a self-interested bias; or second, to outsource with elements of selflessness to counterbalance the self-interest. Figure 2 shows the dilemmas managers face in considering those two options.

Once the outsourcing decision has been made, the next stage relates to choosing the host country. This choice will be based on a number of factors such as identifying the past record of the outsourcing organisation, and the socio-economic status of the general employment pool in the country. These factors will provide an indication to managers of the supply and demand for raw material, potential employees' skills that may determine the labour costs and, thus, the likely future success of the outsourcing venture.

Once the host country has been selected, the next step involves short-listing the prospective host companies in the region and identifying the best prospects with which to commence contract negotiations. The selfless view is to target the companies and related communities that are most needy, can fulfil the task, and would benefit from the development opportunities afforded by the contract. Self-interest focuses upon the ROI and economic viability, resource accessibility and the relationship leverage opportunities of the situation. The salary and benefits to the employees (host country average versus higher in the home country), compliance with legal requirements, past experience of other companies, and word-of-mouth, must each be assessed and discussed by home country managers before finalising their partner company of choice.

Negotiating and signing the contract is the next step. To satisfy their self-interest, as part of the contract, managers can include a clause for audits (regular internal and surprise) of the host company's working conditions, for instance, on the use of raw materials. The audit clause will, to some extent, ensure the accountability and transparency of the quality of the host company's operations and their treatment of employees; however, managers will always need to consider their sector-specific requirements and guidelines. Similar clauses could also be included in the contract for using environmentally-friendly raw materials and not disposing of waste in the landfill. A selfless view recognises the potential informality of contracts and seeks to centralise relationships with key people. A sense of mutual obligation above and beyond any written contract can be demonstrated. A long-term commitment to the people off-shore can be established, however, in practice, the managers would strive to achieve certain elements of selflessness (such as trust) after taking some time to build a relationship with the partner company. In our view, there always will be some form of contract to protect the two parties, especially the intellectual, proprietary and/or patent information of the home companies.

Alongside the signing of the contract it is imperative to establish a feedback loop with open, two-way communication between the two companies. This enables potential issues to be identified and resolved before they turn into problems that cost extra resources (and even reputation). The managers, nevertheless, need to have a contingency plan for scenarios when the host company may breach the contract conditions. For instance, if, during (surprise) audits, it is revealed that the employees are not being paid their full benefits or are working in hazardous conditions, what will the managers do with these findings? They are then faced with options: one is to ignore the findings of the audit; another is to terminate the contract with the host company citing a breach of the contract conditions. An alternative, depending on the severity and rate of recurrence of the issue, is to provide another opportunity to the host company. A cost-benefit analysis for each aspect of the choice needs to be undertaken before making the final decision. Aspects such as costs (dollars, reputation) to the home company in the short- and long-term need to be seriously debated. The last aspect of the outsourcing process is focussing on building long-term, trusting relationships between the two companies so future business transactions can be undertaken smoothly. Educating and increasing the awareness of host company personnel in legal and more ethical ways of doing business should also be considered as part of this relationship building. That is where the feedback loop, established earlier, will be invaluable as it can highlight prospects for further improvements at various stages of the process with this and other outsourcing decisions.

Concluding thoughts and future research

To sum up, one of the main priorities of commercial organisations is to have a profitable bottom-line, and senior management can use a number of reasons to justify their profit-seeking actions. Their reasons can range from basic survival and making timely payments to their shareholders, employees and suppliers, to maintaining current competitive advantage and ensuring the ongoing sustainability of their operations. It is notable that in the last two decades outsourcing in its various facets has become a cost-profit balancing act for organisational managers. This observation is equally significant for the service and the manufacturing sectors across both developed and developing economies.

As mentioned earlier, cost saving is generally one of the major drivers for companies to go down the path of outsourcing. Improved profitability for the home company by reducing labour costs, for example, is obviously attractive to the shareholders and the board; nevertheless, from our perspective, this is a short-term measure. The potential long-term implications need to be re-evaluated for the community, in the form of fewer jobs for the locals, and for the economy of the home country, possible higher unemployment figures and, subsequently, a decrease in spending power and lifestyle. It may also have the effect of placing more assets in the hands of fewer people. This action, ultimately, snowballs into companies further slashing their operations and jobs to reduce costs, which is a trend that is already being witnessed (Goody and Hall, 2007; da Costa and Antonio, 2010).

Rapidly transforming economic landscape is impacting on outsourcing decisions (Tunstall, 2008). Until the GFC of 2008-2009, the economic leadership of countries such as the USA, the UK, Germany and Japan was under threat by the more productive economies of China, India, and parts of Asia and the Middle East. Outsourcing is one of the mechanisms by which foreign direct investment is altering the economic balance sheets of countries and companies on a global scale. Now the USA and some other countries are engaged in a legitimate debate about outsourcing, and the extent to which these strategies can be maintained. There is a renewed emphasis on maintaining and generating jobs at home, especially in relation to advanced technology research and development (Barfield, 2010). President Obama, for instance, campaigned for office partly on the possibility of putting limits on outsourcing practices in some industries (Epstein, 2009). These sentiments seem to be echoed within industry as commented by Ian Ide, General Manager of a New York based recruitment firm: “Offshoring is not a trend that's gaining momentum” (Shinal, 2011).

Real tension exists today between those who want outsourcing to continue as a way to keep trade flowing, and those who want to close borders and keep jobs at home. The pragmatic way forward is in finding a balance between the social responsibilities required to protect people when wealth has been depleted, and keeping markets open and deregulated enough for profit and innovation to properly drive economic recovery. The message for managers is to continue to think critically about what outsourcing decisions are intended to achieve, and to consider what the possible downsides may be to all stakeholders. The challenge is to recognise that socially responsible reasons are less likely to be at the core of outsourcing decisions than are economic reasons (Hutchins and Sutherland, 2009), and this paper goes some way to addressing this imbalance.

As one way to factor in selflessness in outsourcing decisions, companies should take hold of opportunities to see first-hand the working conditions of staff in outsourced organisations, such as Nokia did in China when auditing its components supplier's factory as part of its accounting for listing on the Dow Jones Sustainability Index (Balmès, 2004). The auditors in Nokia found significant issues relating to pay levels and unrecorded overtime. These findings are consistent with the research of Roberts *et al.* (2006, p. 1) who exposed widespread falsification of timesheets and payrolls in factories supplying corporations including Wal-Mart and Target. In addition, they found that the “coaching of workers and mid-level managers to mislead auditors [was] widespread”. More generally, the loss of control over critical operational records is noted to be a risk factor in outsourcing arrangements that requires careful audit consideration (Andone and Păvăloaia, 2010; Avellanet, 2010).

The strength of this paper lies in the foundation now provided for the explicit factoring of both self-interest and selflessness as part of outsourcing decisions. The limitation of this paper is its conceptual nature and the need for further empirical testing of the contentions, thus, more comprehensive empirical analysis will provide a clearer picture of outsourcing decisions across both developed and developing economies. Interviews with managers involved with outsourcing need to be undertaken to identify their experiences and observations. The feasibility of the key considerations presented in this paper also needs to be further researched.

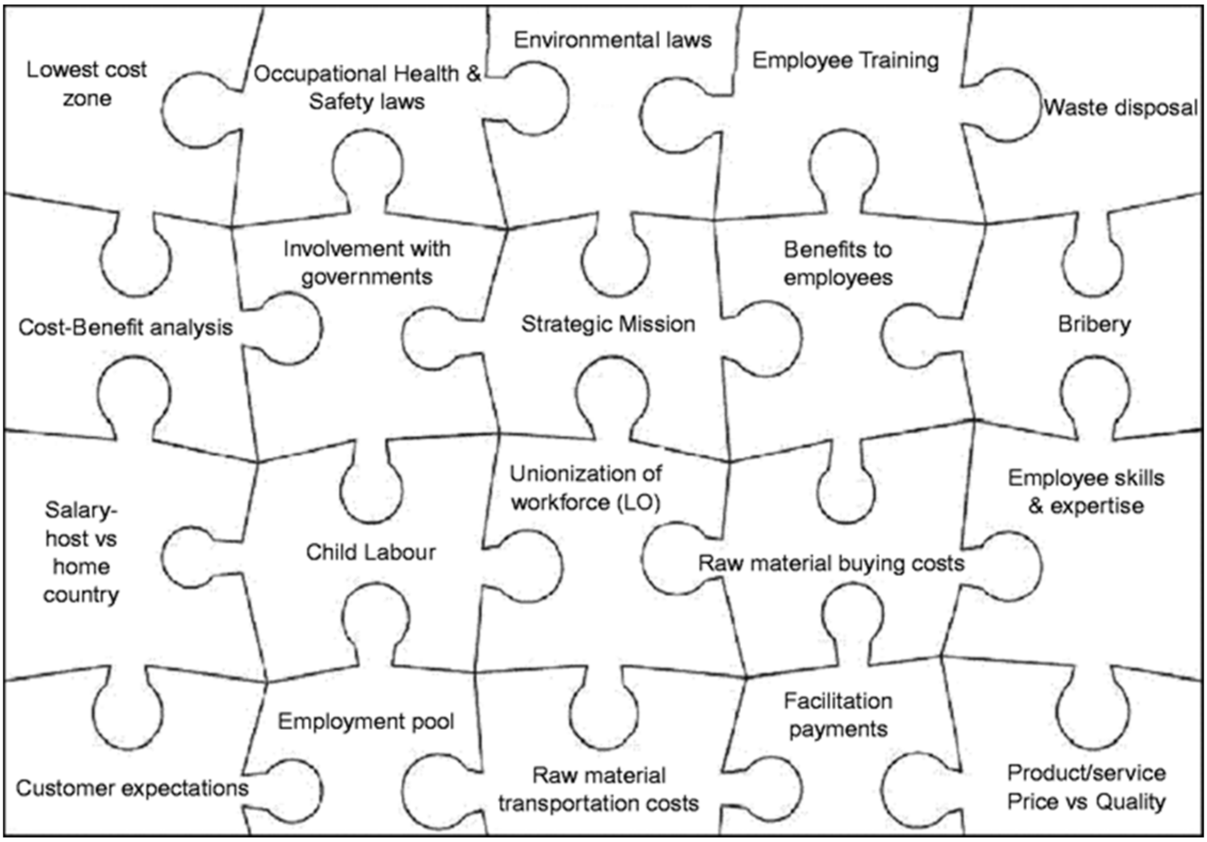

Figure 1Competing organisational survival and profit factors

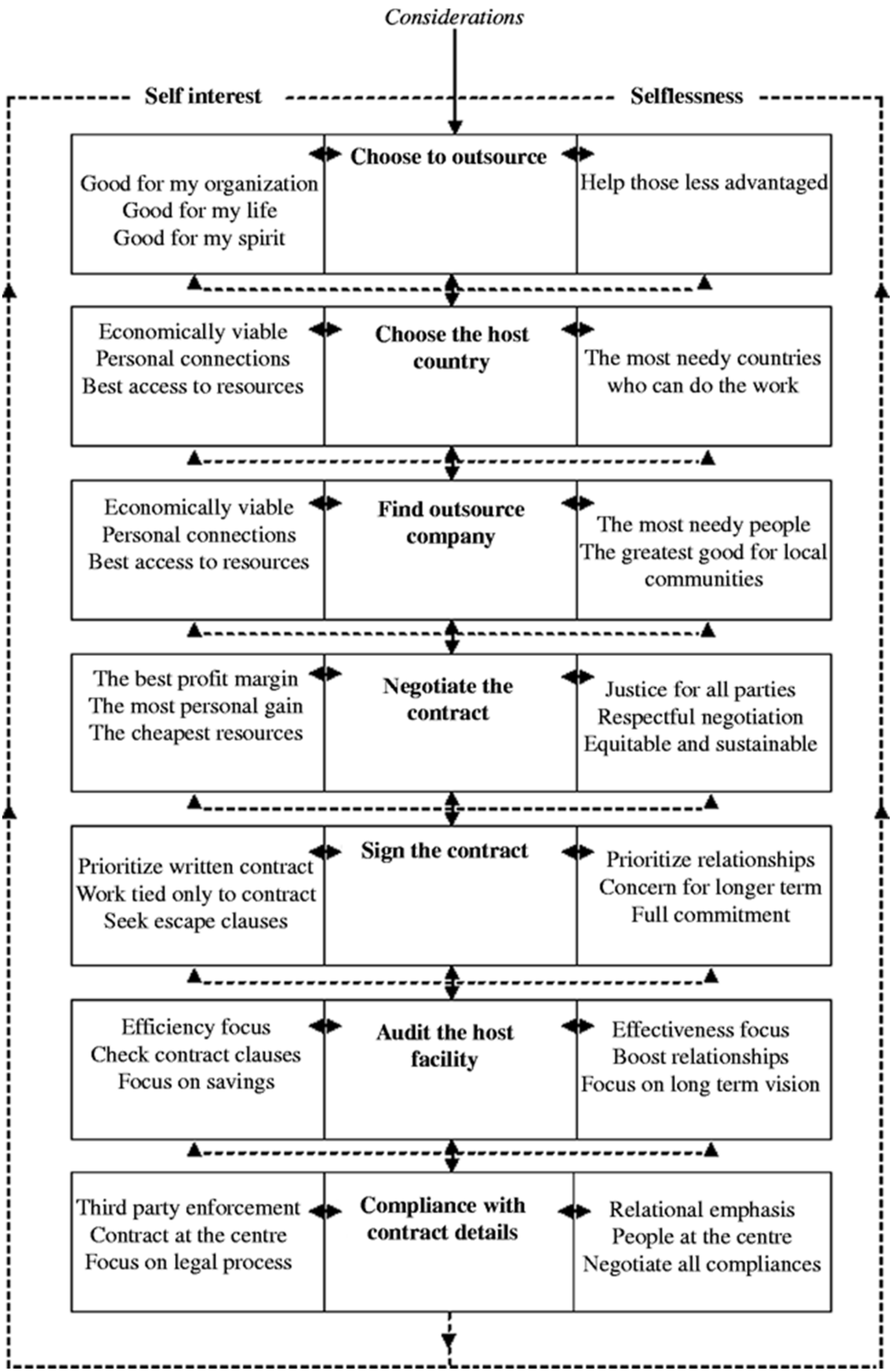
Considerations
Self interest
Selflessness
Choose to outsource
Good for my organization
Good for my life
Good for my spirit
Help those less advantaged
Choose the host country
Economically viable
Personal connections
Best access to resources
The most needy countries who can do the work
Find outsource company
Economically viable
Personal connections
Best access to resources
The most needy people
The greatest good for local communities
Negotiate the contract
The best profit margin
The most personal gain
The cheapest resources
Justice for all parties
Respectful negotiation
Equitable and sustainable
Sign the contract
Prioritize written contract
Work tied only to contract
Seek escape clauses
Prioritize relationships
Concern for longer term
Full commitment
Audit the host facility
Efficiency focus
Check contract clauses
Focus on savings
Effectiveness focus
Boost relationships
Focus on long term vision
Compliance with contract details
Third party enforcement
Contract at the centre
Focus on legal process
Relational emphasis
People at the centre
Negotiate all compliances

Figure 2Considerations for integrating ethics into outsourcing decisions

CSR level	Questions
Economic	Do our profits cover expenditure? Yes, we can comfortably pay for the expenses (and benefits) to our employees, suppliers and (sub)contractors No, we need to take a loan from external sources to cover the expenses (would senior management pay and benefits be reduced to narrow the gap between losses and costs to other parties?) Do we make enough profit to pay dividends to our shareholders? Yes, we will be able to pay dividends to them = increase loyalty No, the shareholder may sell their stock = decrease in wealth of the company = decrease in profit = potential lay-offs of employees and/or business consolidation to reduce costs and increase profits
Legal	Do we comply with laws and regulations in the home country? Yes, we do not want a bad reputation No, we take risks and try to cut costs by cutting corners even though it may result in a fine Do we comply with laws and regulations in the host country? Yes, we do not want a bad reputation Yes, we comply with local laws in addition to those of the home country No, we try to cut costs by cutting corners; the enforcement of laws is lax and minor infringements are overlooked by the officials in the host country Have we received any infringements/fines in the past six months? Yes, it was due to non-compliance with legal requirements Yes, it was due to an error made by an employee Yes, it was due to an error made by a supplier/(sub)contractor No, as we comply with all legal requirements Do we comply with OHS laws of the host country? Yes, only those of the host country (even though they are less stringent than home country requirements) Yes, we implement higher OHS laws and requirements as required by home (and host) countries No, we try to cut costs by cutting corners; the enforcement of laws is lax and minor infringements are overlooked by the officials of the host country
Ethical	Do we pay bribes and commissions to secure contracts? Yes, we pay as required by host country culture and expectations; all the other companies do so to secure contracts No, it is against the company code of ethics to pay bribes No, we would rather lose the contract than pay Do we pay higher wages and benefits than the host country in respect to legal limits and standard of living? Yes, we can share part of the profits with all the employees Yes, it is still lower than total costs to employees in home country = attract and retain good employees in host country No, we pay salaries as required by the host country
Philanthropic	Do we currently donate resources (time, dollars, expertise, raw material) to community/goodwill causes? Yes (positive goodwill and relationships with the community) No, because we do not have spare resources; we do not see ROI; it is against company practice Do we currently sponsor events? Yes, community events (positive goodwill and relationships with the community) Yes, commercial events (because they have better ROI; need to support the sports community for instance; better exposure = market and competitive edge) No, because we do not have spare resources; we do not see ROI; it is against company practice

Table AI.
Some questions to consider at each CSR level

Table AISome questions to consider at each CSR level

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