

# CORPORATE SOCIAL RESPONSIBILITY

## A MOVEMENT HAS BEEN UNDERWAY.

IT STARTED QUIETLY NEARLY A DECADE AGO IN SMALL VILLAGES IN INDIA. NOW IT HAS TAKEN HOLD AND IS EXPANDING TO RURAL LOCALES IN PLACES LIKE AFRICA, KENYA, GHANA, RWANDA AND UGANDA. JOB BY JOB, LIVES ARE BEING CHANGED FOR THE BETTER. THE NUMBERS ARE MULTIPLYING AND THE IMPACT IS BEING SEEN ON **ENTIRE COMMUNITIES AND NATIONS.** OUTSOURCING IS CHANGING THE WORLD THROUGH IMPACT SOURCING AND CSR.



# IMPACT SOURCING 101

## HOW SOCIALLY RESPONSIBLE OUTSOURCING IS CHANGING THE WORLD

BY SARAH TROUP, ROCKEFELLER FOUNDATION



With increased focus on shared value, inclusive business and corporate social responsibility, businesses are looking for both positive financial and social impact in their own practices, and in those of their supply chain.

The services outsourcing industry is well-placed to advance inclusive business practices. Impact Sourcing – services employment for high potential but disadvantaged people – can help businesses meet and exceed their cost and quality objectives. It also provides an innovative new offering to clients in an industry looking for innovation.

In a report establishing the value proposition for Impact Sourcing, Accenture Development Partnerships (ADP) “Exploring the Value Proposition for Impact Sourcing” found that 46 percent of surveyed client companies were likely to engage in Impact Sourcing if they participate in CSR initiatives. But Impact Sourcing is not just a CSR Initiative. It has tangible business benefits.

For example, ADP found that companies that see emerging markets as the next frontier for growth and sell their products and services in Africa and the Middle East are also 70 percent likely to participate in Impact Sourcing. And half of companies with business in the U.S. and Europe are also likely to participate in Impact Sourcing, especially for BPO and Application Outsourcing Services.

An executive at a global healthcare company said: “The concept makes sense and it’s easy to say we’re interested ...we’re currently looking to streamline a number of back office functions and drive efficiencies, this could be of interest for IT and supply chain outsourcing.”

This business impact alone should entice businesses to start Impact Sourcing as an obvious choice. However, Impact Sourcing provides the added benefit of social impact. It enables employees to earn a higher income, in some cases up to 200 percent more than they would expect otherwise, according to Monitor Group’s Job Creation through Building the Field of Impact Sourcing.

Employees also learn valuable workplace and technical skills that prepare them to excel in their jobs now and in the future. The employment improves their lives and the lives of their families and communities because Impact Sourcing employees invest some of their income in improving the health and education status of their families, among other things.

Together, the business and social impact of Impact Sourcing leads to a sustainable system of shared value. The reduction of poverty and improvement in economic development and livelihoods in community is good for business. It directly leads to engaged, committed employees who tend to work for a company longer and provide higher quality work.

In some cases, Impact Sourcing can lead to more than a 50 percent cost reduction both because of lower wages in some markets like rural India, but also, importantly because of reduced attrition rates. NASSCOM Foundation, for example, found that attrition rates in rural areas of India are 2-3 percent compared to up to 35 percent in urban areas, according to NASSCOM Foundation “Next Generation Outsourcing.”

### IMPACT SOURCING BALANCED SCORECARD

COST SAVINGS OBJECTIVES	GROWTH OBJECTIVES
<ul style="list-style-type: none"> <li>• Reduced labor costs</li> <li>• Reduced technology costs</li> <li>• Reduced operations costs (business process efficiencies)</li> <li>• Reduced recruiting costs</li> </ul>	<ul style="list-style-type: none"> <li>• Geographic expansion targets</li> <li>• Levels of access to new workforces</li> <li>• Resource flexibility</li> </ul>
CSR OBJECTIVES	COMMUNITY OBJECTIVES
<ul style="list-style-type: none"> <li>• Effect of impact sourcing on the organization’s CSR objectives</li> <li>• Impact on Employee Retention/Loyalty</li> </ul>	<ul style="list-style-type: none"> <li>• Direct Impacts: Number of people employed (direct and indirect job creation)</li> <li>• Indirect Impacts: Number of people impacted (education, health) Environmental impact</li> <li>• ROI from re-investing funds back into the community</li> </ul>





## ILLUSTRATING IMPACT SOURCING

Impact Sourcing is driven by the movement of outsourcing to new markets. While the majority of outsourcing services are delivered from India, a growing number of outsourcers are establishing delivery centers or otherwise sourcing labor from other low-income locations, such as The Philippines, South Africa, Egypt and Brazil. Other emerging markets, including Kenya, Ghana, Rwanda and Uganda are also poised to adopt Impact Sourcing, having included outsourcing in their national growth strategies.

These are attractive destinations for outsourcing. Their large youth population is a talent pool eager to be tapped. The capabilities for outsourcing from these places range from data entry to back office services and programming. Many companies are already sourcing work to these locations. For example, leading companies like Microsoft and Pepsi both source services in Africa. Major telecoms serving Africa also use African talent for customer service.

While a lot of Impact Sourcing activity is happening in these emerging markets, Impact Sourcing is a global opportunity – buyers and providers have the opportunity to make an impact on people in need of employment from the United States to Africa, while also positively impacting their business objectives.

### THREE PRIMARY MODELS OF IMPACT SOURCING:

- **DIRECT:** Traditional outsourcing providers, captives and shared service centers adopt Impact Sourcing principles and hire high potential but disadvantaged people directly.
- **IMPACT SOURCING SERVICE PROVIDERS:** With a social mission to hire high potential but disadvantaged people, ISSPs serve as a key avenue for Impact Sourcing.
- **SUB-CONTRACTING:** In mature outsourcing markets, traditional outsourcing providers sub-contract to ISSPs.

### THE FOLLOWING PROVIDES AN OVERVIEW OF IMPACT SOURCING WITH PROVIDERS AND CLIENTS ACROSS THE GLOBE USING ONE OF THESE THREE MODELS.

#### DIRECT

Techno Brain is a Solutions, BPO and Training Company that has a physical presence in 19 African countries. Techno Brain BPO is a six-year old traditional BPO provider operating in Kenya, Uganda, Malawi, Tanzania and Ghana. Techno Brain sources its employees from local populations, generally with a high school and diploma education. For certain contracts, Techno Brain partners with Impact Sourcing intermediary, Samasource, and also will recruit from NGO training centers that focus on providing ICT skills to poor and vulnerable populations. Techno Brain BPO won the award from Google for supporting

youth and vulnerable population in 2013. In 2013, for the fourth year in a row they also won Microsoft partner of the year in Tanzania for demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technology and also sit in the Presidents Club of Microsoft. Techno Brain BPO provides quality services in Voice, Data, ITES and Knowledge Process Outsourcing services for a wide range of clients including Reserve Bank of Malawi, State Library for Lesotho, Kenyatta National Hospital, UN agencies and banks like Imperial Bank, Commercial Bank of Africa and Pepsi.



CAYUSE EMPLOYEES FROM THE CONFEDERATED TRIBES OF THE UMATILLA INDIAN RESERVATION ARE GIVEN AN OPPORTUNITY TO IMPROVE THEIR LIVES AND THE LIVES OF THEIR FAMILY IN A COMMUNITY WITH A 35 PERCENT UNEMPLOYMENT RATE.

## IMPACT SOURCING SERVICE PROVIDER

Digital Divide Data (DDD) is an internationally acclaimed social enterprise. DDD was founded in 2001 in Cambodia as a non-profit business with a mission to create better futures for disadvantaged youth through employment and education. DDD targets youth from disadvantaged communities, half of whom are young women; about 10 percent have disabilities. DDD now has delivery centers in Laos and Kenya in addition to Cambodia and employs more than 1,200 people. Most DDD employees move on to professional jobs in the private sector after four to five years.

DDD delivers a range of business services to corporate clients such as Ancestry.com, Fossil and Readers Digest, as well as universities like Harvard, Yale and Stanford – and libraries including the British Library and the National Library Board of Singapore. They provide content conversion services, including document scanning, newspaper and archive digitization and eBook conversion; data services such as data entry, data enhancement and database hygiene. They also offer research services like data collection, Web research and market research, plus digital marketing services including managing Google Adwords and Facebook advertising campaigns.

## SUB-CONTRACTING

**ACCENTURE**, a traditional outsourcing provider partners with Cayuse Technologies in Oregon to provide application and BPO services like web publishing, project management and customer contract management.

Accenture manages this center and acts as the prime contractor, sourcing clients, managing contracts and being accountable for delivery. Cayuse Technologies acts as the subcontractor in the majority of contracts. This model works for business – a telecom client of the center achieved 100 percent cost savings objectives by the third year of the engagement. It also has a great impact on the community. Cayuse employees from The Confederated Tribes of the Umatilla Indian Reservation are given an opportunity to improve their lives and the lives of their family in a community with a 35 percent unemployment rate. Cayuse has employed more than 67 members of the Tribes, impacting 788 people and improving health and well-being in the community by 179 percent.

**RURAL SHORES** is an Impact Sourcing Service Provider. The five year-old company now has 2,000 seats with 25 clients and 40 different processes. One of its first successful sub-contracting opportunities involved working with First Source to provide local language call center to support to a major telecom.

The Firstsource subcontract was for in-bound, local language customer support for the telecom firm. In order to enable the telecom company to penetrate the Indian state of Madhya Pradesh, RuralShores agreed to set up a center in the district of Chand, a low-income, remote territory in the state. The center started as a 10-seater facility and ramped up to 190 seats within seven months. The center was to take in-bound customer calls in Hindi to provide problem resolution services. The first time resolution of the calls was very accurate and provided high level satisfaction to the client so that over time the escalation desk was also migrated to RuralShores.

## SUB-CONTRACTING *continued*

The relationship, including the SLAs, with the client was managed by FirstSource. This included providing initial training and managing governance and quality control standards. Dashboard metrics as well as day-to-day quality checks were put in place to ensure accurate results. Ultimately the client received high quality service from Rural Shores employees whose turnover is extremely low, averaging only less than 4 percent.

In addition to impacting business, this type of work positively impacts the employees in myriad ways. Many have increased their savings by more than 20 percent, have bank accounts and medical insurance and move on to pursue higher education, according to Rural Shores' Social Impact Study Report.

THE  
ROCKEFELLER  
FOUNDATION



THE ROCKEFELLER FOUNDATION SUPPORTS THE DEVELOPMENT OF THE IMPACT SOURCING SECTOR SO THAT MORE HIGH POTENTIAL BUT DISADVANTAGED YOUTH HAVE ACCESS TO EMPLOYMENT OPPORTUNITIES THAT CAN IMPROVE THEIR LIVES AND THE LIVES OF THEIR FAMILIES AND COMMUNITIES.

## ROCKEFELLER FOUNDATION'S ROLE IN IMPACT SOURCING

The Rockefeller Foundation, through its nearly \$100 million initiative, Digital Jobs Africa, is supporting the development of the Impact Sourcing sector so that more high potential but disadvantaged youth have access to employment opportunities that can improve their lives and the lives of their families and communities.

It is developing the elements of the Impact Sourcing enabling environment so that it can become a scaled practice across the globe. To make Impact Sourcing for business a seamless transition, the foundation will provide access to consultative services and tools for recruitment and impact measurement that a business can use to start Impact Sourcing. Through its work

the Rockefeller Foundation also is developing a network of businesses that are already doing Impact Sourcing so that they can share information and best practices.

In addition to the global work, it is helping the development of the outsourcing sector in Africa by supporting Impact Sourcing social enterprises to build their capabilities; supporting organizations to train youth with the required skills for employment; supporting job matching so that skilled youth and employers can connect; and supporting the general business environment in countries to make them attractive destinations for outsourcing.

## IMPACT SOURCING 101

THE ROCKEFELLER FOUNDATION AND ITS PARTNERS CAN'T SCALE IMPACT SOURCING ALONE. IT WILL REQUIRE THE OUTSOURCING COMMUNITY TO ADOPT IMPACT SOURCING AS AN OBVIOUS CHOICE FOR SOURCING.

### HOW TO START IMPACT SOURCING

The Rockefeller Foundation and its partners can't scale Impact Sourcing alone. It will require the outsourcing community to adopt Impact Sourcing as an obvious choice for sourcing.

**IF YOU'RE A BUYER**, consider buying services from Impact Sourcing Providers. You can also ask your existing suppliers to explore adopting Impact Sourcing as a permanent practice. They can recruit Impact Sourcing workers to provide your services. Part of the Rockefeller Foundation's work in this space is supporting the development of tools that will help you do

this, including providing metrics to include in your supplier scorecards.

**PROVIDERS** can start recruiting Impact Sourcing workers today. This will provide an immediate competitive advantage with your buyers. They'll be happy to see you providing the same quality of service while also having a positive impact on the communities in which you work.

And finally, **ADVISORS** can help customers navigate this space to help guide them in how best to engage in Impact Sourcing.

For more information on how to get involved, please email: [ImpactSourcing@rockfound.org](mailto:ImpactSourcing@rockfound.org)



# IN OUR TANK, EVERYONE WINS



In ABC's critically-acclaimed business-themed reality show, Shark Tank, wealthy tycoons search for the best businesses to invest in from budding entrepreneurs. IAOP's own spin on the game show gave four service providers the opportunity to present their business case for impact sourcing to an elite group of C-level execs at The 2014 Outsourcing World Summit.

The provider presentations and discussions by the judging panel, who voted in American Idol style for their top picks, showed why impact sourcing is becoming an area of importance in outsourcing and everyone – from presenters and judges to the delegates in the audience – left a winner.

BY SANDY FRINTON



# GAME SHOW



## Master of Ceremonies Atul Vashistha

“The game show format made it exciting and engaging and we were able to get the message across in a fun way,” said Atul Vashistha, Chairman of Neo Group, who moderated the event. “The judges were amazing and it was really meaningful for them.”



## The Contestants:

Lori Silverstein, Chief Sales Officer, Digital Divide Data

Mark Sears, CEO, Cloud Factory

Murali Vullaganti, CEO, RuralShores Business Service, Rural BPO Centers India

Leila Janah, CEO, Samasource



## Judging the event were:

### Darcy Antonellis

CEO of Vubiquity and until just recently, President of Warner Brothers Technology Group

### Tim Langley Hawthorne

Vice President IT Governance, Western Union

### Gene Agee

Vice President, Sprint



“The quality of the companies, their executives and philosophy towards impact sourcing was inspirational and provocative,” said Antonellis. “I left the session thinking about direct applications for impact sourcing within my company.”

The audience first viewed a video message to IAOP members from Rockefeller Foundation Vice President Zia Khan about how buyers, providers and advisors can all get involved in impact sourcing.



Executives from Samasource, Digital Divide Data, Cloud Factory and Rural Shores then went before the judges who were given the devised scenario of just learning their CEOs called at the conference with the directive to implement Impact Sourcing in the next 18-24 months that had to work, be quick and meet all business requirements.

Companies were asked about their differentiators, social impact and how they would scale up to 100 FTEs. Each judge selected two companies they would want to work with.

The presentation on the final day of The Outsourcing World Summit on Feb. 19 was part of a larger focus on CSR in Action, presented by IAOP’s CSR committee, chaired by IAOP CEO Debi Hamill with Scott Phillips of Accenture, serving as special advisor to the committee.

“The game show, ‘Impact Sourcing Meets American Idol and the Shark Tank of IAOP’s Finest’ was an absolute hit,” Vashistha said. “We’ve even had requests to take it on the road.”

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“The buy side is interested in having an impact in communities where they do business around the world,” he said. “It is the DNA of a lot of companies. If you can marry sources of talent with locations where communities are distressed or disadvantaged you not only find new sources of talent but also create tremendous opportunities. It makes business sense but also is corporate social responsibility.”



## RURALSHORES

**Location:** Based in Bengaluru, India, with 17 delivery centers in 10 Indian states

**Services:** Technology-enabled services, business-enablement services and skills development solutions

**Founded:** In 2008 by a group of highly successful and motivated professionals headed by Murali Vullaganti, who is the CEO

**Number of employees:** 2,000-plus

**THE PITCH:** Some 50 million educated unemployed youth in rural India migrate to cities in search of jobs. Today India has over 1.5 million jobs in the domestic BPO industry that can easily be sourced from rural areas – and the number is growing each year.

By setting up IT/BPO centers in remote areas, RuralShores is creating employment opportunities for these underserved rural youth. This unique model is changing the dynamics of outsourcing. Its vision is to assimilate rural youth into the Knowledge Economy by sustainable Impact Sourcing through IT-enabled and business-enablement services.

The company's goal is to establish one RuralShores center in each of the 500 rural districts of India, providing sustainable employment to over 100,000 rural youth, leading to sustainable livelihood to half a million people and stimulating economic activity in 600 villages. The youth are treated with respect and dignity and are exposed to an intellectually stimulating environment. As a result, the company says attrition rates are lower - 10 percent per year compared to 40 to 60 percent in other urban-based BPOs, leading to higher productivity and quality results.

Vullaganti discussed how RuralShores employs more than 2,000 disadvantaged people in India who live rurally and are highly-motivated. The workers provide services such as accounting, back office and call center support in English and the local language for clients such as Accenture, Vodafone and Airtel.

Through impact sourcing, the standard of living of



employees and their families has undergone a tremendous uplift since the time they have been given sustainable employment. Their paychecks have enabled employees to invest in household conveniences and provide for higher education for themselves and their siblings.

The strong rural youth say employment with RuralShores has changed their lives. One employee, Ms. Mayuri, found it difficult to concentrate during the training period at RuralShores because she was concerned about losing her daughters during a marriage separation. Her employment helped her prove herself to family members and put her family back together.

“RuralShores has helped me to build my career and a bright future,” she says. “This job is very essential for me to take care of my daughters’ future. Now that I have stabilized in this job, my husband has agreed to send back my daughters. Today, I feel confident and ready to face any challenge.”

## CLOUDFACTORY

**Location:** Based in Nepal with operations in Kenya, Hong Kong and the United States

**Services:** Data capture and document processing, audio and video transcription, image tagging, categorization and moderation, and Web scraping and research for the financial services, healthcare and media/entertainment sectors

**Founded:** In 2008 by Mark Sears and his wife following a two-week vacation to Nepal where after meeting young, motivated software developers they were inspired to stay and train a workforce

**Number of employees:** 120 core workers and 3,100 data operators

**THE PITCH:** CloudFactory is all about hyper-efficiency using mass production and division of labor approaches that make sense when an industrial strength solution is needed to process millions of data points.

Founder and CEO Mark Sears is a computer engineer who works with a large team of 40 engineers. The company invests significantly into innovation of its cloud work platform. CloudFactory believes labor automation and augmenting its workers with technology is a key part of the future of work.

CloudFactory is passionate about impacting people and businesses through technology and innovation. Its big purpose is to connect 1 million people in the developing world to basic computer work and raise them up as leaders to address poverty in their own communities.

Last year, CloudFactory completed over 2,200 community service projects and recently 400 employees spent a Saturday at an orphanage in Nepal with 250 kids.

“My wife and I have lived in Nepal for five years now and we get to see this deep impact first hand,” says Sears. “The ripple effect is starting to happen and it is all being powered by a profitable outsourcing model.”

Sears believes the talent pool is available to rapidly scale up to meet customers’ needs. In addition to its 3,000 data operators, or “cloud workers,” the company has 20,000 talented people in Nepal and Kenya who have taken its entrance tests and are ready to be onboarded.

The company says it can hire as many as 100 FTEs every week and have them producing quality results as quickly as two weeks later. It recently completed a one-year document processing project with 250 million records that had CloudFactory scaling to 500 FTEs in the first three months.





## DIGITAL DIVIDE DATA

**Location:** Offices in Kenya, Cambodia, Laos and the United States

**Services:** Content conversion, research and data services, including newspaper, magazine and archive digitization, eBook production, web research, market research, handwriting transcription, data entry, survey digitization

**Founded:** In 2001 by business consultant Jeremy Hockenstein and a group of friends after he saw the lack of jobs available for graduates of vocational training programs in Cambodia

**Number of employees:** 1,200

**THE PITCH:** DDD delivers digital content, data and research solutions to clients worldwide. By employing youth at the base of the pyramid, DDD's innovative model delivers high-quality competitively-priced services while creating social impact in Africa and Asia.

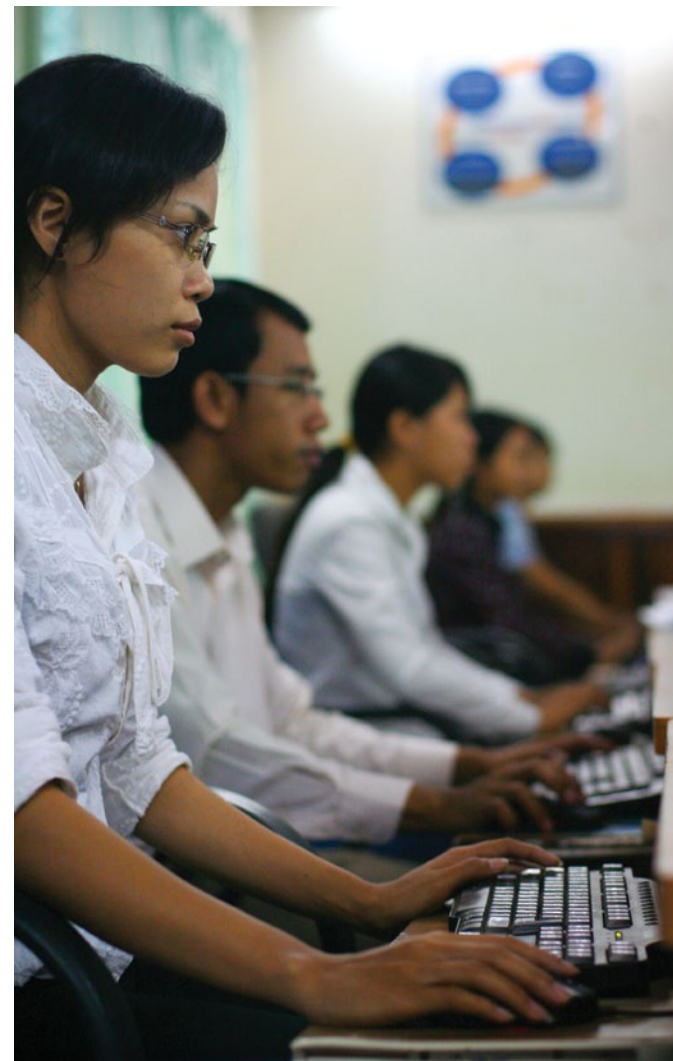
DDD's proven Impact Sourcing model develops a strong workforce in countries with untapped talent. The company identifies and recruits motivated, disadvantaged youth who would not otherwise have access to good jobs or higher education.

It provides training and employment at fair wages, while enabling them to attend university. Staff typically works at DDD for four years or more. As a result, clients benefit from the superior quality and timeliness that comes from long-term committed teams working on their projects.

DDD program graduates go on to high-skilled professional positions, breaking the cycle of poverty that traps their families. They send family members to school, raise their household's standard of living, and become leaders in their communities.

**By employing youth at the base of the pyramid, DDD's innovative model delivers high-quality competitively-priced services while creating social impact in Africa and Asia.**

Lori Silverstein, Chief Sales Officer, DDD, shared with the judges how after a successful 15-year career working for traditional BPOs, she came to work for DDD after her previous employer started losing deals to Impact Sourcing service providers.



## SAMASOURCE

**Location:** Based in San Francisco with a field office in Nairobi, Kenya

**Services:** Digital services, including data, tagging, research and online content projects

**Founded:** In 2008 by Leila Janah who first became motivated to reduce poverty after seeing the need as a teenager volunteering to teach English in Ghana

**Number of employees:** Directly employs 3,500 and benefits over 10,000 marginalized people in Sub-Saharan Africa, South Asia and the Caribbean, including refugees, youth and women from conservative communities

**THE PITCH:** Named from the word "Sama," which means equal in Sanskrit, Samasource connects poor women and youth to training and employment in the digital economy. As a premier provider of digital services, it delivers a steady flow of work to people around the world.

Through its "Microwork" model it allows poor people to become part of international digital supply chains by divvying up work into small pieces that don't require advanced training to complete. The simplest tasks can be done by an unskilled young person from an informal settlement with only two weeks of training. On average, workers more than double their incomes after a few



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months on the job, and 75 percent move up to higher-level employment or higher education within one year.

The work Samasource does for clients like Google, Microsoft and LinkedIn is of such high quality the company retains 90 percent of them as clients. Janah told the judges a story about one of the workers who started as a child soldier in Uganda, and now provides clients with services ranging from image and content tagging, to machine learning and content generation.



### C-S-R YOU READY?

Lean more about CSR in Action at a complementary one-hour webinar presented by IAOP on June 20 at 11 a.m. Following up on the publication of *The Outsourcing Professionals' Guide to Corporate Responsibility*, by Van Haren Publishing, the complimentary webinar from IAOP will be led by CEO Debi Hamill and feature co-authors Bill Hefley, PhD, COP and Ron Babin, DBA, PhD, COP.

Click here to register for the Webinar. For more information on how IAOP corporate members may access the eBook *The Outsourcing Professionals' Guide to Corporate Responsibility* management guide as a complimentary member benefit contact [memberservices@iaop.org](mailto:memberservices@iaop.org).