

The Business Case for Impact Sourcing

By: Pumela Salela, GSC Ambassador in Africa



At the recent World BPO/ITO Forum, held in New York City on June 2-3, a panel deliberated the management challenges, hesitation of larger companies to use Impact Sourcing (IS) firms, and the lack of defined pathways for IS firms to secure contracts and scale their organizations beyond their initial geographic areas. As one of the panel members, I share with our readers many of the issues and points that framed that discussion.

The Creation of Business Value

Impact Sourcing (IS) is about a Call to Conscience. It is about Doing Business whilst Doing Good.

We need to remain aware, and sometimes reminded, that the business of *business* is the creation of value - Economically, Socially, Technologically, Environmentally and Politically.

Economically: Business aims to create profits. It aims to increase margins. IS does not change the core objectives of business. The differentiator is that IS is where profits meet philanthropy. This is illustrated through the case studies shared below.

Socially: IS is a poverty alienation tool. Workers can increase their income by 100% to 200%. Sustainable income leads to positive social outcomes.

Technologically: Through IS, power is put in the hands of the people locally in order to help them drive positive social change.

Environmentally: Green Economy improves human well-being and social equity. It also reduces environmental risks.

Political: Businesses that engage in IS benefit from tax breaks, subsidies and grants.

The Sustainability of Business Models for Impact Sourcing

The best IS business models are usually judged by three metrics:

- Accessibility to lower income groups.
- Ethicality, that is, providing a decent income for the suppliers involved.
- Sustainability for those who are at the Bottom of the Pyramid, the suppliers, their clients and the intermediaries.

It should be noted that the financial benefits of a business and the development of communities are not mutually exclusive. IS provides an opportunity for the businesses who want to combine a positive financial bottom-line together with developmental outcomes.

Case Studies

In order to illustrate the Business Case for Impact Sourcing, four case studies have been selected. Two of these, Cloud Factory and Vindhya-Einformedia, are 2013 winners of the Global Sourcing Council 3S Awards (Socially Responsible and Sustainable Sourcing Awards).

Cloud Factory

Cloud Factory, founded in 2008, built a service sector “factory in a cloud”. Inspired by the traditional model of a factory as invented by Henry Ford in manufacturing, Cloud Factory designed virtual assembly lines in poor locations located in Nepal and Kenya. They currently employ 120 core staff including over 50 software developers, and 3,000 data operators or “cloud workers”. Their goal is to connect one million people in the developing world to basic computer work and raise them up to address poverty in their own communities.

Whereas in other forms of outsourcing, such as crowdsourcing, the employee can be faceless. The opposite is true at Cloud Factory because they physically meet each worker. Each worker is managed by a full-time core team member called a “CloudSeeder”, and has accountability within a team that meets weekly face-to-face. <http://blog.cloudfactory.com/2013/02/cloudfactory-acquires-crowdsourcing-competitor-humanoid-and-speakertext.html>



Pumela Salela and panelists at The World BPO/ITO Forum June 2, 2014 – New York City

Their core theme is “Data Done Better” with the main thrust being “Business Process as a Service, with a Social Mission”. The Cloud Factory offering includes*:

- A business model that is flexible and A cost effective alternative to traditional BPO.
- Clients can save up to 50%.
- Cloud Factory manages ten times (10x) more effectively.
- There is a three times (3x) faster turnaround.

* Figures based on Cloud Factory metrics.

The organisation, founded on the principles of Social Impact, recognises that profit is what helps grow the Social Impact and Sustainability agenda.

Cost Advantages at a Glance

	Urban BPO (Traditional Sourcing)	Rural ISSP (Impact Sourcing)
Average monthly salary	\$200	\$114
Average training costs	\$750	\$540
Average churn percentage	40%	4%

Source: The author has adapted a graph by the Monitor Group (2011)

Vindhya- Einformedia

Vindhya-Einformedia employs and empowers those who are “differently abled” whether they are deaf, lack education or physically challenged. Vindhya-Einformedia also understands that in order to be sustainable they must work for profit.

Vindhya-Einformedia is not an NGO (Non-Governmental Organisation) but a private company achieving sales and profit margins by providing excellent service. The company, which has 750 employees, is located in India in the rural areas of Karnataka, Andhra Pradesh and Chennai and operates 24/7. They are of the belief that the

provision of services from rural areas must evolve from handicraft products to BPO services.

SAI SEVA

Formed in 2006, SAI SEVA stands for **Serve and Inspire Sustained Employment and Advancement**. A privately-held company, its founders well understood the socio-economic impacts of the increase in the economic divide between urban India and rural India. SAI SEVA also recognised that in the urban BPO sector there is now a talent shortage that is causing a supply and demand escalation of costs. As a result, whereas others saw a challenge in rural areas, SAI SEVA recognized an opportunity to exploit price competition. SAI SEVA uses the potential of youth workers in villages to provide speedy, cost efficient and quality results to customers who require low skill but intense back office work.

SAI SEVA offerings include:

- Provision of BPO solutions at competitive rates to Indian and international companies.
- 40% to 60% cost savings (*Business Line, August 20, 2007*).
- Minimal staff attrition.
- SAI SEVA business activities help the local villages to support themselves.



SAI SEVA employees in Puttparthi, India
Photo courtesy of SAI SEVA

Alliant Global Strategies

Alliant Global Strategies is based in Richmond, Virginia, USA and conducts business from facilities in Accra, Ghana. The company provides services to clients worldwide:

- Broadband Technician training in order to produce Certified Fibre Optic & Premise Cabling Technicians.
- First Level IT Helpdesk.
- Management Services.

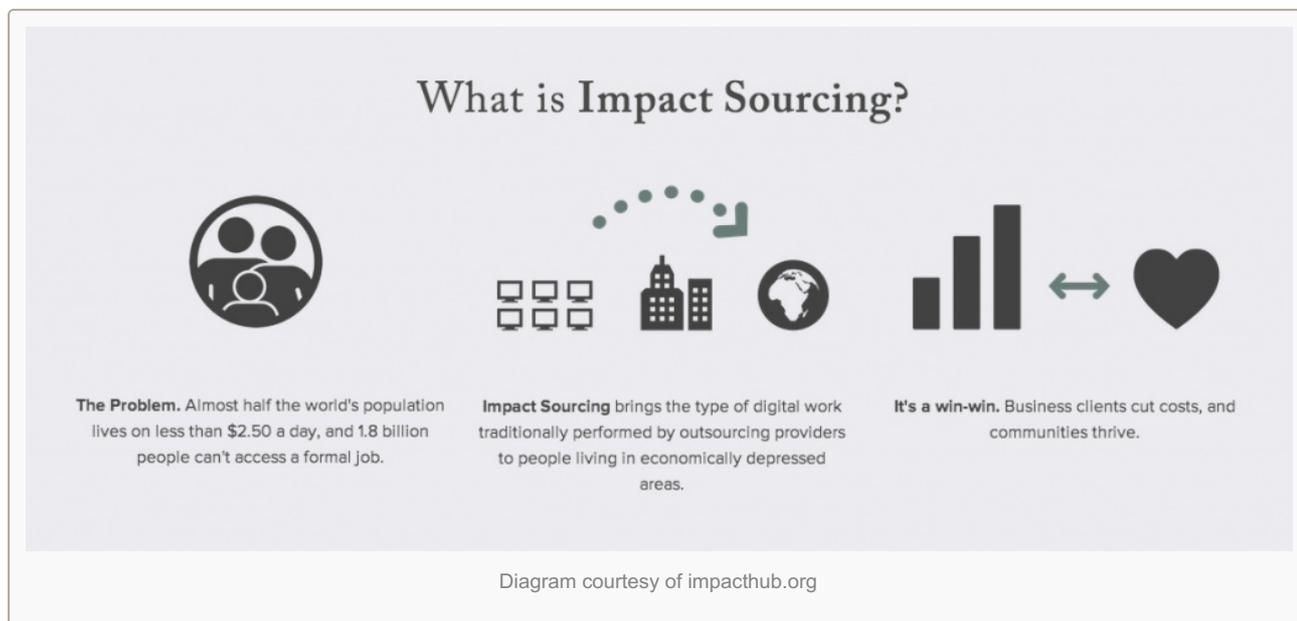
As part of their social impact activities, Alliant Global Strategies creates job opportunities for youth who are in Richmond Social Services and foster homes. The company was inspired by The White House Connected Broadband Initiative, The Rockefeller Foundation's PRIDE Initiative and the City of Richmond's Anti-Poverty Commission "Social Enterprise Program". They have attained a 100% graduation rate through their training program. The graduates can perform in the U.S. and internationally for energy companies, cabling companies, or any company/ entity that has an IT network infrastructure.

From a Global Perspective ...

Internationally, the following IS trends are important:

- The principle, sole business model of IS started as non-profits in the realm of Impact Sourcing Service Providers (ISSPs). With the recognition that profits create sustainability within this segment, both the profit and the non-profit models now exist.
- The nature of the work cuts across BPO industry verticals and horizontals and varies from simple to complex.
- Locations for ISSP's can be Onshore, Nearshore or Offshore.

- IS is seen as a mechanism to close the gap in the dichotomy of economies in countries wherein the population is divided into the “have’s” and the “have nots” such as South Africa; wherein the economy was divided into the First Economy (developed) and the Second Economy (underdeveloped). Partnerships and collaboration create “Partnertition” (a phrase coined in 2011 by Robert F. Janssen, CEO of Outsource Brazil) which is a co-operative approach to meet common objectives. This calls for the collaboration and partnerships between the private sector, government, donor organisations and civil society in order to advance the cause of IS. In South Africa, industry matched government funding dollar for dollar, so that for every One RAND (South African currency, also called ZAR) spent by the government, the industry would match it with One RAND, that is RAND for RAND.



- There are similar value propositions that make the “Business Case for Impact Sourcing” namely; cost saving, lower attrition, lower training costs, diversity of talent and human capital, and a *developmental impact* which has bigger social outcomes.
- The targeted employees are women, the disabled and youth.
- IS provides “spill over effects” to other sectors of the economy such as food, health, education and telecommunications. This results in an increased contribution to the GDP (Gross Domestic Product) of any country concerned.
- The need to mainstream IS is coming up strongly. There is a call to ensure that Socially Responsible and Sustainable Sourcing is a decision that corporates make at the Boardroom level so that Impact Sourcing / Socially Responsible Sourcing forms the lifeblood of an organisation and thus becomes integrated into the organisational fibre. It should not be just about making donations in the old business sense but rather treated as *Strategic Philanthropy* to advance the needs of the business and the community at large.
- There is a growing influence of the Diaspora so that those who have been forced to leave their countries can benefit from IS as a way of ploughing back into their communities. An example is Head Held High, which was formed by a group of friends who had left India to go to the United States. Even though they have not returned to India on a full-time basis, Head Held High operates fluidly as a fully-fledged BPO operation in the rural areas of India.

What Will it Take to Make Impact Sourcing Scalable?

Firstly, *Capital*, in the form of human capital and infrastructure such as Information Communications Technology (ICT) in rural areas. Secondly, *Skills*: there needs to be the continuous supply of skills derived from structured training and development initiatives. Thirdly, there needs to be *demand* for services from government, large BPO companies and direct clients. Fourthly, *Innovation*: new business models that create value will require innovation and sustainability.

What About the Sustainability of Impact Sourcing?

The policies that various countries formulate will need to be what I call "Impact Sourcing Centric" meaning they will need to put IS at the centre, particularly ICT policies. In addition, governments need to create an enabling environment for ISSPs to emerge. Industry itself needs to mobilize to form Impact Sourcing Industry Associations. Finally, in each and every country, entrepreneurship needs to be fostered in order to promote job creation.

Conclusion

CK Prahalad once said, "New and creative approaches are needed to convert poverty into an opportunity for all-concerned". I posit that global issues require global solutions and Impact Sourcing will go a long way in addressing the need for profit whilst ensuring that the levels of poverty, unemployment and inequality are reduced, globally, by ALL.

About the Author: Pumela Salela is an Independent Advisor for the Information Communications Technology and Sourcing sectors. Prior to her role, she was a BPO/ITeS Consultant for the World Bank, in Washington D.C.; a Director of Business Process Outsourcing and Offshoring and ICT Enabled Services at the Department of Trade and Industry, Industrial Development Division, in South Africa; and several other senior positions in South Africa and the UK.

Pumela is a Board Member of the Global Sourcing Council and was recently appointed to the Advisory Council of The World BPO/ITO Forum. She is an active speaker at international forums, business seminars and government events.