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EXPLORING THE VALUE PROPOSITION FOR IMPACT SOURCING

The Buyer's Perspective

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CONTENTS

DEFINITIONS

AO: Application Outsourcing. Technical outsourcing that may include the management, development, testing or upgrade of packaged or customized software (e.g., a financial, human resources, sales, customer relationship management or mobile application) by a third party.

BPO: Business Process Outsourcing. Contracting out of specific business processes or operations to a third party—e.g., wage processing. BPO does not offer technical support; it only takes responsibility for a business function, or functions.

Client: Organizations that purchase outsourcing services and are potential candidates for buying Impact Sourcing.

Disadvantaged individuals: People who are at a unique disadvantage and lack access to traditional employment. This can include those living in rural areas of developing countries or in slums, those without access to secondary or tertiary education, or educated individuals in areas of high unemployment.

Employees: Local disadvantaged populations that are employed to undertake outsourcing activities.

Impact Sourcing: Outsourcing that benefits disadvantaged individuals in low employment areas. It looks beyond the common source of supply for traditional outsourcing to provide higher-income employment and access to new income opportunities to individuals that might not otherwise be employed in this sector.

IO: Infrastructure Outsourcing. Technical outsourcing of the management, development and/or upgrade of information technology infrastructure for running technical services (e.g., email) to a third party.

ISSP: Impact Sourcing Service Provider. An organization set up with the explicit intent to undertake outsourcing work that is classified as Impact Sourcing.

Outsourcing: References all forms of outsourcing, including Application Outsourcing, Infrastructure Outsourcing, and Business Process Outsourcing.

Outsourcing center: A physical facility or center where outsourcing tasks are completed. Such a center may be owned by the ISSP or a traditional outsourcer.

Replicable: A business model that can become a blueprint for other organizations/entities that are interested in setting up similar operations.

Scalable: An operation that has the characteristics and the capabilities to grow beyond 250 full time employees.

Sustainable: An organization that can continue to operate independently without "donor" support. This organization can be for-profit or not-for-profit. The organization could receive government support as long as that support is available to all organizations within that community (e.g., a tax break for conducting business in the community).

Traditional outsourcer: A provider of traditional outsourcing services, such as Accenture. The organization may undertake a percentage of outsourcing work that is classified as Impact Sourcing.

Training centers/schools/universities: Organizations that feed the talent supply for the outsourcing center. These tend to be local organizations.

INTRODUCTION

Through its Poverty Reduction through Information and Digital Employment (PRIDE) work, the Rockefeller Foundation has been learning about the potential effect of Impact Sourcing on the lives of the poor and vulnerable worldwide. It supports Impact Sourcing organizations and sponsors research into the field aimed at understanding the environment required to scale up Impact Sourcing as a preferred option within the outsourcing industry. By engaging others in these efforts, the Rockefeller Foundation has built a coalition of key stakeholders to be ambassadors for Impact Sourcing and assist to move the field forward.

Impact Sourcing is outsourcing that benefits disadvantaged individuals in low employment areas. It looks beyond the common source of supply for traditional outsourcing to provide higher-income employment and access to new income opportunities to individuals that might not otherwise be employed in this sector. These individuals are typically people who are at a unique disadvantage and lack access to traditional employment. They include those living in rural areas of developing countries or in slums, those without access to secondary or tertiary education, and educated individuals in areas of high unemployment.

Impact Sourcing is taking place across the globe. This is noted in *Job Creation through Building the Field of Impact Sourcing*[1], a paper written by the Monitor Group with the support of the Rockefeller Foundation. The Rockefeller Foundation's focus, in terms of supporting the development of Impact Sourcing, is currently on Ghana, Kenya, South Africa and India.

According to the Monitor Group, Impact Sourcing employment provides measurable increases in income levels. Data suggests that Impact Sourcing employees' incomes increase between 40% and 200%. In addition to the benefits of formal, stable employment, this research also suggests that Impact Sourcing employment increases family investment in health care and education. However, it is not just society that benefits from Impact Sourcing; clients of the Impact Sourcing service benefit through access to a service at a cost and quality point competitive to traditional outsourcing, and the Impact Sourcing Service Provider (ISSP) benefits by being able to bring a new, innovative and competitive offering to its clients. For all the players within the Impact Sourcing ecosystem it's a win-win scenario.

This feasibility study, undertaken by Accenture Development Partnerships with the support of the Rockefeller Foundation, examines the demand side of Impact Sourcing, exploring the value proposition of Impact sourcing from the buyer's perspective, and determining whether Impact Sourcing can be a viable business model.

This study aims to provide evidence that big businesses, such as large outsourcing companies like Accenture, as well as smaller ISSP players, have an integral role within Impact Sourcing and can realize significant benefits from such initiatives. The paper highlights and recommends steps that big businesses, particularly traditional outsourcers, as well as smaller ISSPs and philanthropic organizations should take in order to set up successful Impact Sourcing initiatives. Specifically, it gives guidance on scaling initiatives and provides a set of pilot options that companies might consider if interested in developing Impact Sourcing as part of their core business offering.

EXECUTIVE SUMMARY

Through its Poverty Reduction through Information and Digital Employment (PRIDE) work, the Rockefeller Foundation has been learning about the potential effect of Impact Sourcing on the lives of the poor and vulnerable worldwide. This feasibility study, undertaken by Accenture Development Partnerships with the support of the Rockefeller Foundation, seeks to examine the demand side of Impact Sourcing from the perspective of the buyers of outsourcing services, and determine whether it can be a viable business model. It aims to provide evidence that big businesses, such as large outsourcing companies like Accenture, as well as smaller ISSP players, have an integral role within Impact Sourcing and can realize significant benefits from such initiatives. Specifically, it offers guidance on scaling initiatives and provides a set of pilot options that outsourcing companies might consider if interested in developing Impact Sourcing as part of their core business offering.

The current outsourcing market is estimated at $512 billion (see Figure 2). 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, Mauritius and Brazil. Other emerging markets, including Kenya, Ghana, Rwanda and Uganda, have included outsourcing in their national growth strategy. These countries are most likely to benefit economically and socially from sustainable job creation and growth. At the same time, Asia, Africa and Latin America will account for 97 percent of population growth over the next 20 years, making the developing world the largest source of potential future employees.

The Issue – Rising World Population in Need of Employment

One of the greatest issues facing developing countries is a growing population in need of employment. Countries with rapid growth rates are experiencing a "youth bulge", with young people entering the workforce forming a significant percentage of the population. To employ youth entering the workforce and help decrease unemployment among the young by 50 percent, over 700 million jobs will need to be created by 2020.

The Opportunity – Growth in Outsourcing

Gartner forecasts that Business Process Outsourcing and Technology Outsourcing will grow to $574 billion by 2015 (see Figure 2, Global Outsourcing Market Size). Based on forecasts from Avasant, Impact Sourcing is predicted to make up 11 percent of the Business Process Outsourcing market in 2015 (see Figure 3).

One Potential Solution

Impact Sourcing is one potential solution to the issues and opportunities present globally today. By providing previously unavailable employment opportunities to talented resource pools through Impact Sourcing, individuals, businesses and society benefit from harnessing untapped skills.

This feasibility study focused on answering the question of whether Impact Sourcing is a viable business model for large outsourcing companies such as Accenture, and for smaller ISSP counterparts. The following hypothesis is tested within this study.

Impact Sourcing is a viable business model as long as two conditions are met:

1. There is sufficient demand for the services and the client (buyer of the services) is able to meet its outsourcing objectives

2. The model offers a competitive and sustainable solution.

In order to confirm or reject this hypothesis, we set out to analyze the following questions:

• Is there client demand for Impact Sourcing

What products/services are in demand?

What is the value proposition to clients?

Which clients would be willing to undertake the offering?

• Is the offering competitive and sustainable?

What is the business model?

Can the model be leveraged and scaled?

What is the cost model/pricing structure? Is it competitive?

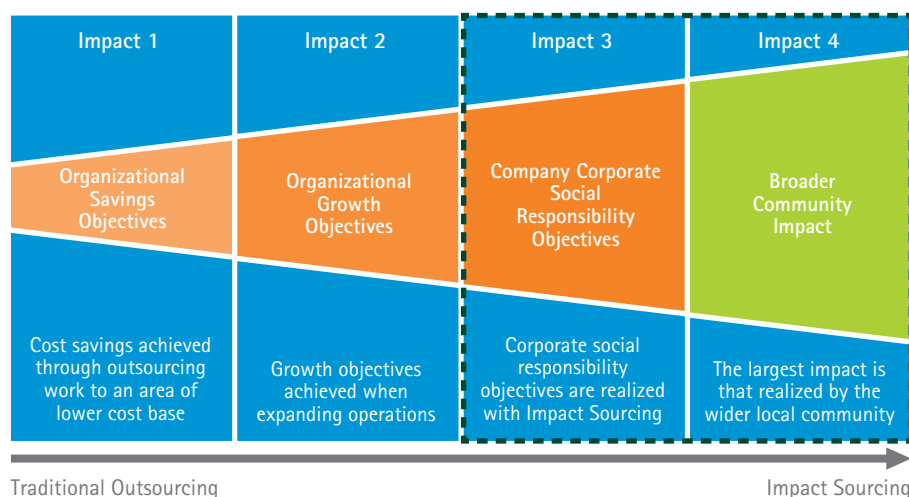• How is the offering executed?

How is success measured?

What social impact can be realized?

How can associated risks be mitigated?

Value Proposition

The value proposition for Impact Sourcing is strong: benefits are brought directly to those most in need, and to surrounding communities. The additive nature of Impact Sourcing—whereby clients have the opportunity to positively impact their internal Corporate Social

Value Proposition

Impact 1	Impact 2	Impact 3	Impact 4
Organizational Savings Objectives	Organizational Growth Objectives	Company Corporate Social Responsibility Objectives	Broader Community Impact
Cost savings achieved through outsourcing work to an area of lower cost base	Growth objectives achieved when expanding operations	Corporate social responsibility objectives are realized with Impact Sourcing	The largest impact is that realized by the wider local community

Traditional Outsourcing → Impact Sourcing

Responsibility (CSR) agenda and have a greater positive impact on the broader communities on top of the typical business case for outsourcing—resonates with potential buyers of these services. In addition to this value proposition to the client, the outsourcing provider, whether large or small, can also realize certain benefits from Impact Sourcing. Outsourcing providers are consistently being challenged to create new, innovative and competitive offerings, which Impact Sourcing is. An outsourcing provider therefore benefits from Impact Sourcing by being able to engage in discussions with a client's C-Suite, offering an expanded set of competitive outsourcing services.

The key point about Impact Sourcing for an outsourcing service provider and a client is that, like any traditional outsourcing service, it must primarily offer a sound business response to a client's desire to outsource certain functions, be it due to cost, expansion or other pressures. Although the CSR impacts are large and of huge benefit to all concerned, it is the business reasons (and most often cost) that initially make Impact Sourcing attractive.

Scorecard

In line with the value proposition, the Balanced Scorecard outlines the specific objectives achieved against an ISSP's proposed targets. In measuring the success of Impact Sourcing, we have extended the traditional outsourcing scorecard framework to also include Impact Sourcing aspects.

The top two elements of the scorecard are typical of the way traditional outsourcing engagements are measured. The bottom two elements address other effects of Impact Sourcing pertaining to CSR objectives and social value.

Study Inputs

To test the proposed hypothesis, Accenture Development Partnerships undertook a large-scale survey of over 320 Accenture executives engaged in work at leading global companies to understand their perception of Impact Sourcing and their company's willingness to pursue such initiatives. To validate the findings from this survey, the team interviewed a number of Accenture global clients directly on the topic of Impact Sourcing, asking key questions around whether Impact Sourcing was applicable and of interest to their business, and the type of work and locations that would be suitable for Impact Sourcing. In addition to these two study inputs, the team researched existing Impact Sourcing Service Providers to understand how their businesses are structured, managed and resourced, and the environment they operate in, to gauge the conditions required for Impact Sourcing to exist.

Below is a summary of the analysis:

• Of the companies surveyed, 48 percent are interested in Impact Sourcing

Impact Sourcing Balanced Scorecard

Cost Savings Objectives	Growth Objectives
• Reduced labour costs • Reduced technology costs • Reduced operations costs (business process efficiencies) • Reduced recruiting costs	• Geographic expansion targets • Levels of access to new workforces • Resource flexibility
CSR Objectives	**Community Objectives**
• Effect of impact sourcing on the organization's CSR objectives • Impact on Employee Retention/Loyalty	• Direct Impacts: – Number of people employed (direct and indirect job creation) • Indirect Impacts: – Number of people impacted (education, health) – Environmental impact • ROI from re-investing funds back into the Community

• There is demand for Impact Sourcing as long as the traditional outsourcing buyer values of lower cost and high quality continue to be met

• Cost and quality continue to be the top priorities for companies to outsource any of their functions

• Clients are most interested in Impact Sourcing in the areas of Business Process Outsourcing and Application Outsourcing. Additionally, client teams are open to considering Impact Sourcing for up to 25% of their outsourcing portfolio.

One of the most exciting findings from the survey related to potential Impact Sourcing locations that client account teams showed the most interest. The survey initially started with a focus on specific areas of the world: Kenya, Ghana, South Africa and rural India. However, based on the survey results, it emerged that Impact Sourcing is in fact a global trend and opportunity. The following locations with areas of high

unemployment, where governments are providing incentives (typically in the form of tax deductions) to source jobs in-country, surfaced as being of great interest to client account teams.

• United States of America – US Veterans, Native American population

• Canada – First Nations population

• United Kingdom – Individuals who are "Not in Education, Employment, or Training" (NEETs)

• Australia – Aboriginal people

• South Africa – Labor Acts associated with certain populations

This demonstrates that countries that are considered the largest hosts of potential clients can also be Impact Sourcing destinations.

Business Model

Based on the case studies carried out of existing Impact Sourcing Service Providers (ISSPs), two broad ISSP business models were identified.

Model A: The ISSP/traditional outsourcer owns the outsourcing contract and interacts with the client. The ISSP/traditional outsourcer delivers the service to the client, owns the outsourcing center and manages local employees to perform the day-to-day outsourced tasks.

Model B: The ISSP/traditional outsourcer is the prime contractor; it owns the outsourcing contract and interacts with the client. However the prime contractor uses an ISSP subcontractor to deliver the service and perform the day-to-day outsourced tasks. More than one subcontractor can be used in this model. The prime contractor retains overall accountability for the contract and service provision.

An extension to these base models exists. In the interim supported business model, external donor organizations interact with an ISSP/traditional outsourcer, providing the financial input that enables the Impact Sourcing enterprise to exist. The external organizations could be non-governmental organizations (NGOs), private or public companies, or foundations. The interim supported business model exists because Impact Sourcing initiatives generally require financial input from external sources to initially establish themselves. This financial support is usually required for the additional training and infrastructure required to establish an Impact Sourcing center. The model is classified as an interim model because it is the intention

Business Model

Model A

Model B
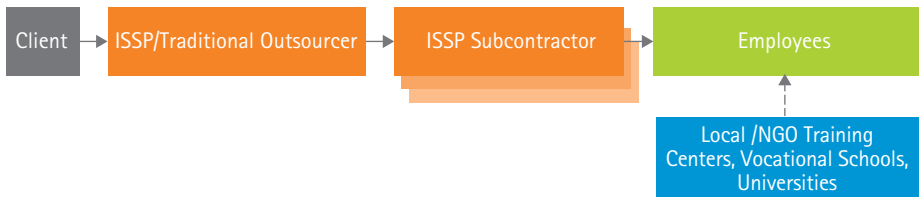
of any ISSP player to become self-sustaining and move toward one of the two base models. The length of time an ISSP will make use of an interim supported model depends on the level of investment that it is required to pay back after initial set up.

Challenges to Impact Sourcing Growth

In creating an Impact Sourcing arrangement, the following challenges need to be addressed:

Impact Sourcing needs access to the right talent. Minimum educational attainment standards (minimum secondary education) must be reached by all employees, and ISSP/traditional outsourcers need to invest in the right training initiatives. This study advocates the use of training partner organizations as a method of mitigating the risk of a talent shortfall.

Impact Sourcing needs to attract larger pools of demand to scale. To make Impact Sourcing a true force in the outsourcing world, Impact Sourcing needs to be able to scale up. This report identifies the ability to attract large corporations willing to outsource a portion of their outsourcing work to an Impact Sourcing initiative as a key tool to support scalability.

The Impact Sourcing model should be replicable. Impact Sourcing involves a number of players and often a complex set up. A key challenge is creating a repeatable roles and responsibilities template that is applicable to Impact Sourcing initiatives. This report helps to identify the business and service models that should be adopted in order for an ISSP/traditional outsourcer to be successful.

Impact Sourcing needs regulatory and monitoring frameworks. As with any established industry, proper monitoring or regulatory bodies are required to monitor fair play, enforce equitable standards, and prevent the exploitation of players, particularly employees. Impact Sourcing is differentiated from traditional outsourcing because of its social impact. To compromise this unique characteristic and bring it under scrutiny would be catastrophic for the industry, as the core value and basis for the initiative would no longer hold.

Impact Sourcing has barriers to entry that need to be addressed. There are two broad categories that have the potential to drive barriers to entry within the Impact Sourcing market:

• The large number of stakeholders within the industry that need to be working to the same agenda within an Impact Sourcing initiative—there is often an ISSP/traditional outsourcer, various NGOs, financial supporters and a client all contributing to the Impact Sourcing ecosystem

• Disadvantaged areas often face additional challenges classified as barriers to entry for an ISSP/traditional outsourcer, such as safety & security and infrastructure barriers. All of the players involved in an Impact Sourcing initiative need to be aware of the barriers to entry inherent in Impact Sourcing and seek ways to collaborate to alleviate these challenges.

Key Recommendations

This feasibility study lays the ground work for a compelling value proposition, and sustainable business models. In order to move this initiative forward and for it to gain momentum and become a vital part of the outsourcing sector, a number of actions need to be taken.

1. Increase awareness of Impact Sourcing.

Engage with professional organizations, particularly those in the field of outsourcing and engage with the existing outsourcing advisory organizations to spread understanding of the offering.

Implementer: Philanthropic organizations, ISSPs, traditional outsourcers

2. Seek to scale Impact Sourcing.

Leverage alliances with large-scale traditional outsourcers who have access to large client contracts, and focus Impact Sourcing operations with an intention to scale in areas with an established outsourcing center. In addition, Impact Sourcing can only scale if it is recognized for more than its CSR benefits – i.e., as a sound outsourcing business decision that meets a client's needs, be they cost, expansion or other pressures.

Implementer: Philanthropic organizations, ISSPs, traditional outsourcers

3. Traditional outsourcers to increase Impact Sourcing initiatives.

Impact Sourcing is a relatively new field, but it is even newer for traditional outsourcers, such as Accenture. Impact Sourcing initiatives are being demanded by global clients and offer significant benefits to all ecosystem players. They therefore have the potential to be a competitive offering for any traditional outsourcer. To increase Impact Sourcing initiatives, traditional outsourcers should look to:

• Educate themselves on Impact Sourcing

• Formulate an Impact Sourcing strategy

• Hold discussions with key clients about possible partnerships

• Hold discussions with NGOs and other players to develop an Impact Sourcing ecosystem

• Identify potential locations and targeted disadvantaged populations

• Select and mobilize projects

Implementer: Traditional outsourcer

4. Recognize the on-shore and off-shore opportunities that exist.

Impact Sourcing does not just need to impact off-shore developing countries. Outsourcing initiatives can also exist to support disadvantaged individuals within developed countries, such as the UK, thereby maximizing impact on disadvantaged communities globally.

Implementer: ISSPs, traditional outsourcers

5. Establish credible governance structures.

To preserve the integrity of Impact Sourcing and confirm its core messages are not compromised, credible governance structures are vital. This might include establishing a proper and impartial governance body for Impact Sourcing which addresses the pay and working conditions of employees.

Implementer: Philanthropic organizations, professional societies

6. Expand the definition of Impact Sourcing.

Impact Sourcing should include any focus on sourcing employees from uniquely disadvantaged groups at any organization, rather than only focusing on outsourcing.

Implementer: Philanthropic organizations and other key stakeholders

7. Promote and support Impact Sourcing initiatives.

Monitor Impact Sourcing pilots to ensure they have the necessary support and backing from all players within the ecosystem.

Implementer: Philanthropic organizations and other key stakeholders

8. Test Impact Sourcing initiatives.

Impact Sourcing can be supported and tested through varying initiatives offering different degrees of involvement, investment and impact. The pilot options displayed in the table below give guidance on how Impact Sourcing initiatives can be executed, and the organizations that can assist in implementing each one.

Pilot Options

	Pilot Light	Pilot Partial	Pilot Full
Objective	Test Impact Sourcing balanced scorecard on existing client project at existing outsourcing center. Publish output widely.	Utilize an existing outsourcing center to execute a new or existing contract for a client, using talent from disadvantaged communities.	Establish a new outsourcing center offering Impact Sourcing services to execute a new or existing contract for a client.
Implementers	Philanthropic Organizations	Traditional Outsourcers	Traditional Outsourcers, ISSPs

CONTEXT

Why this assessment?

The current business process and technology outsourcing markets combined are estimated at roughly $512 billion (see Figure 2). 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. The Philippines, Mauritius, Brazil, Bangladesh and Egypt have a growing market. Other emerging markets, including Kenya, Ghana, Rwanda and Uganda, have included outsourcing in their national growth strategy. In Kenya, for example, the outsourcing sector is expected to be a significant contributor to GDP growth and create thousands of new jobs over the next several years.[2]

While developing countries, especially those in the "Global South," are the primary providers of labor to the outsourcing sector, they are also the most likely to benefit economically and socially from sustainable job creation and growth. Three billion people, the vast majority of which are in the Global South, live on less than $2 per day, with the formal unemployment rate in the high double digits. At the same time, **Asia, Africa and Latin America will account for 97 percent of population growth over the next 20 years,** making the developing world the largest source of potential future employees.

Traditional outsourcing has focused mostly on labor arbitrage, leveraging the tens of thousands of low-cost labor resources in low-cost locations. This focus on cost and quantity of resources has led to some criticism about the social implications of outsourcing: for the client, it can lead to politically-sensitive off-shoring of jobs from domestic to foreign locations; for the outsourcers, a "race to the bottom" and growing competition can lead to salaries that do not provide a living wage, hampering economic movement for the lower classes. Far too rarely is outsourcing linked to positive direct or indirect[3] job growth, social development and economic security. It becomes something that outsourcing clients wrap into their bottom line financial statements rather than something that they proudly announce in annual reports.

Does it really matter to buyers and suppliers of outsourcing?

Based on a survey conducted by International Association of Outsourcing Professionals (IAOP)[4] in 2009, there is clearly a movement by large corporations to consider Corporate Social Responsibility (CSR) as part of outsourcing decisions. Additionally, in February 2012 Accenture conducted a survey among a large cross-section of its client account teams across the globe. The survey received 322 responses across 29 different countries and all industry verticals.

The survey reconfirmed client objectives for outsourcing. The priorities continue to be cost and quality. Other priorities, such as freeing up strategic company resources, global expansion and CSR initiatives, are secondary to these two top priorities.

At the same time, when asked whether companies would be willing to pursue Impact Sourcing in the countries of focus for the Rockefeller's PRIDE Initiative (Kenya, Ghana, South Africa, and rural India), 48 percent of client teams said their clients would be interested, whether they were engaged in CSR initiatives or not.

The Issue – Rising World Population in Need of Employment

Population Growth[5]

• The world's population will add another billion people by 2025 and reach 9.3 billion by 2050

• Almost all of this growth will come from the less and least developed countries

• The most developed countries have a growth rate of 0.4 percent while the less developed countries have a growth rate of 1.3 percent

• Asia, composed mostly of less developed countries, will peak at 5.2 billion in 2052[6]

• Africa, in which most least-developed countries are located, will double to approximately two billion by 2050 with no prediction for stabilization of the population.

Youth Bulge

• Countries with rapid growth rates experience a youth bulge, where the number of young people passing through the educational system and entering the workforce forms a significant part of the population[7]

• Challenges exist in facilitating proper education and job opportunities for a youth bulge[8]

• Despite declining fertility rates, less developed countries still face unprecedented numbers of children and young people, with 1.6 billion children to educate and one billion youth to employ[9]

• People under 25 make up 43 per cent of the world's population[10] with the least-developed countries far surpassing this level and facing the most stressful demographic situation.

• In the least-developed countries with continued high fertility rates, the youth bulge will continue to present challenges without the promise of a demographic dividend.[11]

Job Creation

• Increased workforce involvement can increase economic growth, as seen in East Asia[12]

• Given population trends, over 700 million jobs will need to be created by 2020 to employ youth entering the workforce and help decrease unemployment among the young by 50 percent

• Over 400 million of these must be in Asia, with sub-Saharan Africa requiring almost 200 million jobs[13]

• There will be 500 million new workforce entrants for less developed regions alone by 2020[14]

The Opportunity – Growth in Outsourcing

Gartner forecasts that Business Process Outsourcing and Technology Outsourcing will to grow to $574 billion by 2015 (see Figure 2). Based on forecasts from Avasant, Impact Sourcing is predicted to make up 11 percent of the Business Process Outsourcing market in 2015 (see Figure 3).

Accenture predicts the emergence of a "convergence" economy

The convergent development models will resemble conventional social enterprises but they may or may not be profit-making; however, they are very unlikely to be profit-maximizing. They will combine a market orientation with a broader social impact. They may be autonomous, standalone entities or they may reside or be incubated inside another organization and operate semi-autonomously within a broader governance structure.[15]

Dec. 23, 2011, 10:19 a.m. EST, IAOP Releases Top Outsourcing 'Trends to Watch for' in 2012

Of the seven trends the International Association of Outsourcing Professionals (IAOP) identified, one is: "Impact Sourcing: Employing individuals with limited opportunity for sustainable employment as principal workers in Business Process Outsourcing (BPO) centers to provide high-quality, information-based services to domestic and international public and private-sector clients will increase."

One Potential Solution

Impact Sourcing is one potential solution to the issues and opportunities globally present today. By providing previously unavailable employment opportunities to talented resource pools through Impact Sourcing, both individuals and society benefit from harnessing untapped skills.

Impact Sourcing is a viable business model as long as two conditions are met:

1. There is sufficient demand for the services and the client (buyer of the services) is able to meet its outsourcing objectives

2. The model offers a competitive and sustainable solution.

The remainder of this document outlines the findings from the Impact Sourcing feasibility analysis, and how survey results and case studies support this hypothesis.

This feasibility assessment focuses on the demand for Impact Sourcing and expands on the following topics based on its findings:

• Value Proposition for Impact Sourcing

• Viable Business Models

• A Practical Service Model

• Risks and Mitigation Strategies

• Key Recommendations

VALUE PROPOSITION

The value proposition for Impact Sourcing is a compelling one. Impact Sourcing delivers all of the services and benefits of traditional outsourcing, and it has additional value layers, namely corporate social responsibility and community impact.

Organizational Savings Objectives

One of the main value drivers for outsourcing is that cost savings that can be achieved while still delivering quality. This is predominately the result of outsourcing to lower the cost base. However, it can also be achieved through the industrialization realized at a center of specialism.

Organizational Growth Objectives

Outsourcing can often complement a company's growth strategies (e.g., global expansion strategies), letting them grow more efficiently and allowing a company to utilize previously untapped resource pools.

The objectives above are those that can also be met with traditional outsourcing.

The objectives that follow are unique to Impact Sourcing and are driven by the ISSP's activities.

Company Corporate Social Responsibility Objectives

As corporate social responsibility becomes a larger part of a company's fabric, meeting corporate social responsibility objectives becomes increasingly important. Impact Sourcing can have a large impact on meeting these corporate social responsibility objectives, including supplier diversity goals.

Broader Community Impact

Previously disadvantaged populations gain access to work and a wage which contributes to lifting individuals out of poverty. Studies also show that providing increased access to meaningful jobs helps increase the livelihood opportunities of the individual as well as their surrounding community through spending on items such as healthcare and education.[16]

Each objective has a larger impact than the previous one. Ultimately, the impact on the broader community produces the largest benefits and payoffs.
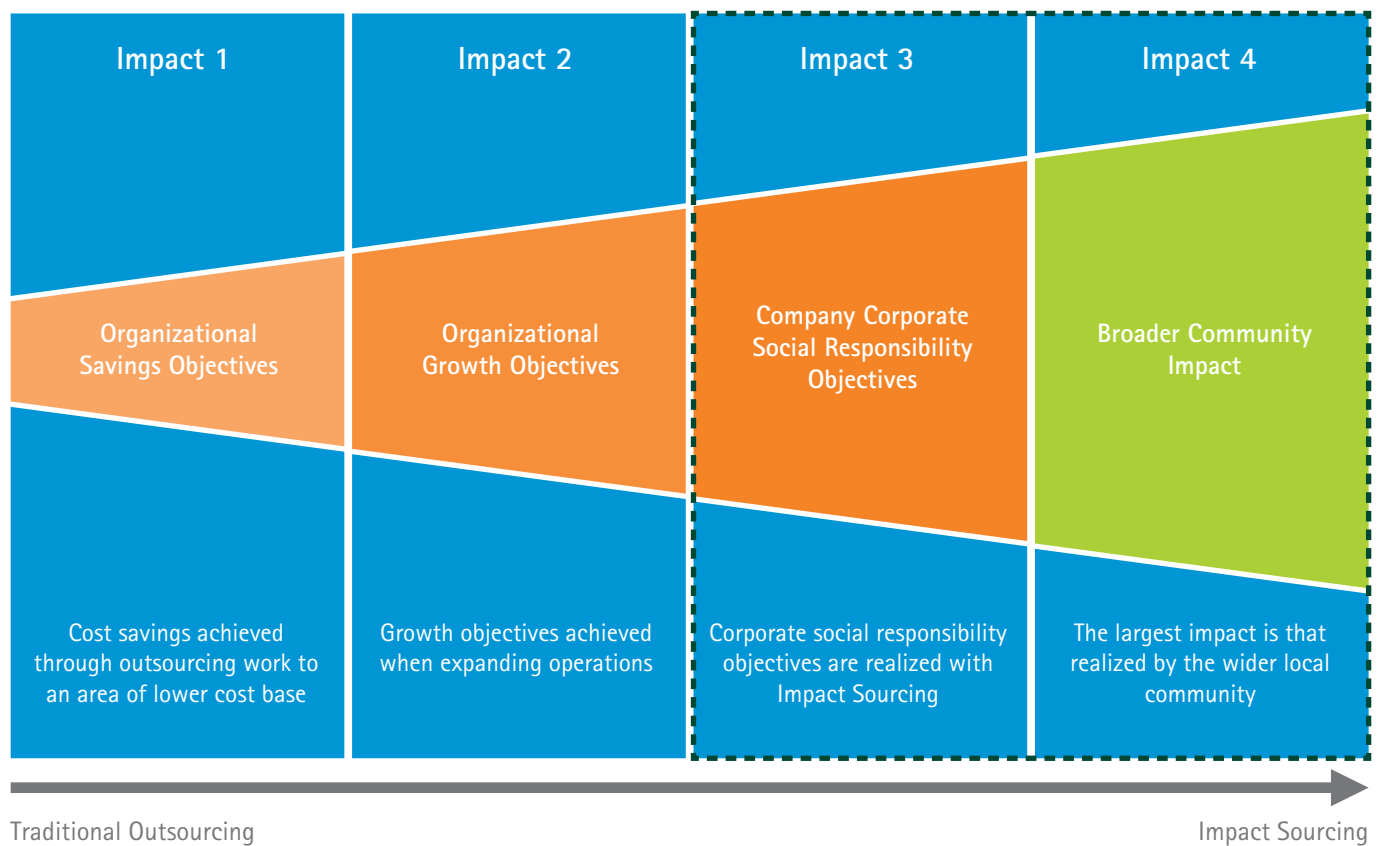
In addition to this value proposition to the client, the outsourcing provider, whether large or small, can also realize certain benefits through Impact Sourcing.

Outsourcing providers are consistently being challenged to create new, innovative and competitive offerings, which Impact Sourcing is. An outsourcing provider benefits from Impact Sourcing by being able to engage in discussions with a client's C-Suite to offer an expanded set of competitive outsourcing services.

The key point about Impact Sourcing for an outsourcing service provider and a client is that, like any traditional outsourcing service, it must primarily offer a sound business response to a client's desire to outsource certain functions, be it due to cost or expansion pressures. Although the CSR impacts are large and of huge benefits to all concerned, it is the business reasons (and most often cost) that initially make Impact Sourcing attractive.

Figure 1. Impact Sourcing Value Proposition – strengthening clients, improving communities

Impact 1	Impact 2	Impact 3	Impact 4
Organizational Savings Objectives	Organizational Growth Objectives	Company Corporate Social Responsibility Objectives	Broader Community Impact
Cost savings achieved through outsourcing work to an area of lower cost base	Growth objectives achieved when expanding operations	Corporate social responsibility objectives are realized with Impact Sourcing	The largest impact is that realized by the wider local community

Traditional Outsourcing   Impact Sourcing

BALANCED SCORECARD

In line with the Value Proposition, the Balanced Scorecard aims to quantify the effect of outsourcing across the four impact areas. An Impact Sourcing Service Provider should have a balanced scorecard that represents its holistic objectives (see Table 1), and a scorecard specific to the contributions it makes to identified client objectives (see Table 2).

Cost Savings Objectives

The total cost savings of the organization achieved year over year through business process efficiencies and labor cost reductions.

Growth Objectives

Aligned to the organization's individual growth objectives (e.g., geographic expansion, efficient growth).

CSR Objectives

Represents what CSR objectives the Impact Sourcing Service Provider is held accountable for providing.

Community Objectives

Economic, social, and environmentally quantifiable impacts the ISSP provides to the local community.

Cayuse Technologies, a for-profit outsourcing business owned by The Confederated Tribes of the Umatilla Indian Reservation, measures its achievements and goals against attainable targets for all of the clients it serves (see Table 1). Since the company's inception in 2006, it has increased the complexity of tasks which it performs for its client base to steadily grow its revenue and net income. Inherent in being a tribally owned organization, Cayuse is held accountable for employing a percentage of tribal members every year. By employing and training these employees, the organization is building skills for a reservation economy, expanding beyond gaming and traditional labor opportunities. The additional benefit that Cayuse performs outside of its contractual obligations are highlighted under Community Objectives. According to the United States Census conducted in 2000, the Umatilla Indian Reservation where Cayuse Technologies is located has a population of 2,927. Of those 2,927, Cayuse employs 292 people. Assuming an average of 2.7 family members per household, Cayuse directly impacts 788 lives in the community, not only financially but through health and wellbeing investments, community development/outreach, pro bono work, tribal contributions, and educational investments (see Table 1).

For each client Cayuse services, the achievements as a result of this work can be articulated through the same set of objectives. An international telecoms company which Cayuse services provides a useful illustration of how these objectives can be aligned to an outside organization (see Table 2). Relating to Cost Saving Objectives, Cayuse has been able to achieve noteworthy application cost savings. With regards to the telecom company's CSR objectives, Cayuse was able to make significant contributions in local communities in terms of employee giving (money donated through the company to charitable organizations from the employees), health care, and workforce diversification. Additional social impact is shown through jobs created, people impacted, and employees trained.

Table 1. Cayuse Technologies' Balanced Scorecard

	2009	2010	2011		2009	2010	2011
Cost Savings Objectives Achieved				**Growth Objectives Achieved**			
Reduction in IT Costs (per capita)	36%	29%	19%	Revenue Growth	70%	83%	106%
				Net Income Growth	36%	55%	110%
CSR Objectives Achieved				**Community Objectives Achieved**			
Number of Incremental Tribal Jobs Created	1	18	7	Number of Incremental Non–Tribal Jobs Created	5	51	49
Number of Incremental Employees Trained	6	69	56	Total Number of People Impacted	451	637	788
Total Number of Tribal Employees Employed	42	60	67	% of Health and Wellbeing Investment Targets Achieved	62%	100%	179%
				% of Community Development/ Outreach Targets Achieved	100%	100%	100%
				% of Pro–Bono Targets Achieved	5%	100%	53%
				% of Tribal Investment Targets Achieved	100%	100%	101%
				% of Education Investment Targets Achieved	100%	100%	100%

Table 2. Cayuse client – International Telecom Company's Balanced Scorecard

	2009	2010	2011		2009	2010	2011
Cost Savings Objectives Achieved				**Growth Objectives Achieved**			
Reduction in application costs	47%	69%	100%	Not Available			
CSR Objectives Achieved				**Community Objectives Achieved**			
Total Giving in local communities	96%	100%	82%	Total Number of Jobs Created	88	123	148
Total Employee Giving	70%	100%	119%	Total Number of People Impacted	238	332	398
Total Employee Health Care	57%	100%	165%	Total Number of Employees Trained	79	111	124
Total Workforce Diversity	Women – 19%	Women – 24%	Women – 24%				
	People of Color – 12%	People of Color – 16%	People of Color – 16%				

MARKET SIZING

Global Outsourcing Market Size

There are many different factors which will shape the global outsourcing market in the coming years. Within the current economic environment, organizations will continually look to increase operational efficiency while growing their businesses. Expansion of current contracts and continued cost pressures will drive more buyers to outsource many of their non-core processes. The following factors will have a significant impact in helping to drive this market.

• Outsourcing forecast shows a return to a positive growth in 2010 and beyond.

• Growing client demand resulting from the changing IT outsourcing (ITO) delivery model (cloud, consumerization, industrialization and so forth) will feed accelerating ITO growth rates.

• The opportunities for innovation through ITO engagements will potentially lead to more enhancement or transformation initiatives, which will drive incremental spending.

• More BPO deals are getting completed as economic growth improves in the developed markets; the increase in transaction volume is expected to carry over from 2010.

As a result, the global market is expected to grow at a 4.31 percent compound annual growth rate (CAGR) from 2010 to 2015. By 2015, the market is estimated to reach $574 billion, with Information Technology Outsourcing (which comprises both Application Outsourcing and Infrastructure Outsourcing) accounting for $363 billion, and Business Process Outsourcing at $211 billion in revenues (see Figure 2).

Global Impact Sourcing Market Size

As the global outsourcing market continues to grow, so does the opportunity to create jobs through the field of Impact Sourcing. Traditionally focusing on BPO activities, Impact Sourcing is projected to grow at 29.85 percent CAGR, equating to four percent of the total BPO market in 2010, and 11 percent by 2015[17] (see Figure 3).

With an affinity towards the skills demanded in BPO, Impact Sourcing has previously focused on IT Outsourcing in limited cases, mainly because IT Outsourcing demands certain levels of inherent IT proficiency from its employees. However this is a trend that is changing, IT Outsourcing now presents large opportunities for Impact Sourcing. There are a growing number of ISSPs offering IT Outsourcing services with good success – for example, Cayuse Technologies and NextWealth. And with the increasing availability of IT training initiatives (e.g., MIT Open Courseware, Passerelles Numeriques), the focus by a number of governments on ICT skills, a recognition by individuals that more sophisticated IT skills can lead to employment and better wages, and the growing numbers of ISSPs willing to offer these services, Impact Sourcing has seen year on year growth within the IT Outsourcing sector.

According to the Monitor Group, the following trends will drive the growth of the Impact Sourcing market in the coming years.

• The increasing reach and decreasing cost of telecommunications is expanding the list of countries and regions that can compete for outsourcing work

• There is continuing pressure on corporations and, to some extent, governments to deliver services, particularly non-core services, in a cost-effective manner

• There is increasing demand for the digitization of non-digitized records across the private and public sectors —this includes the one-time drive to "catch up" as well as a continued need to transfer non-digital data

• There is an increasing level of government activity that lends itself to outsourcing tasks, such as archive digitization, the growth of e-government platforms and universal identity number projects

• There exists latent demand for tasks such as data management, content editing and low-end transcription from large global companies.[18]

Figure 2. Global Outsourcing Market Size, 2010–2015 ($B)

Gartner BPO and ITO forecasts
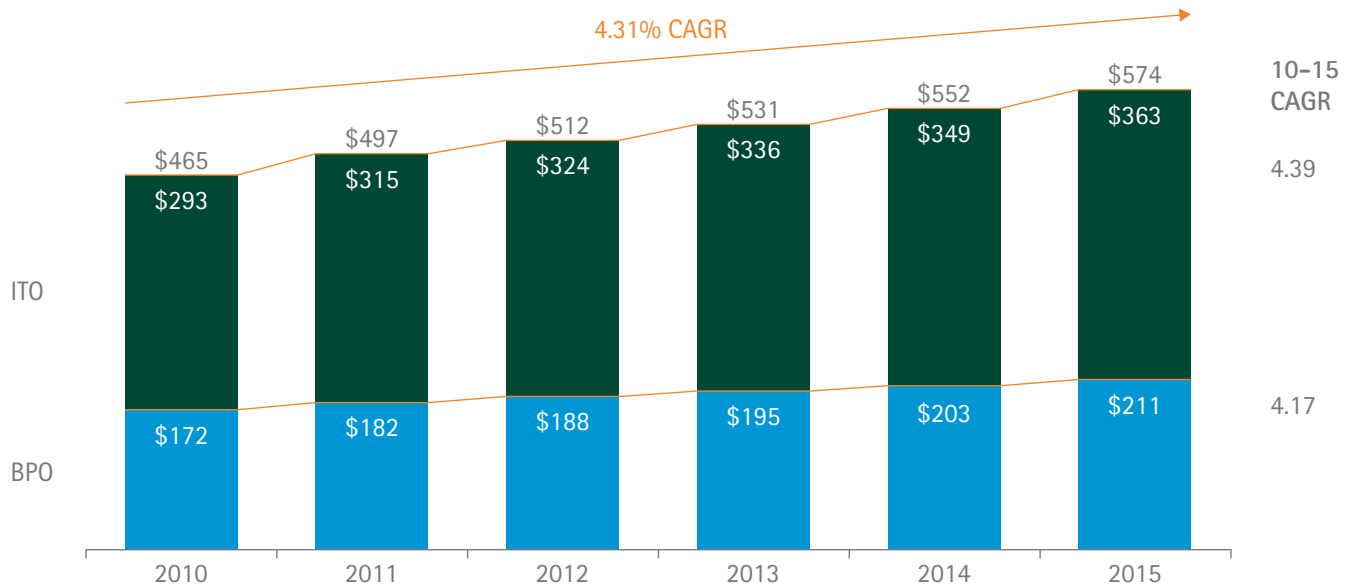
Source: ©Gartner Forecast Analysis: Business Process Outsourcing, 2010-2015, 1Q12 Update Robert H. Brown | Morgan Yeates 29 March 2012 G00230955. © Gartner Forecast Analysis: IT Outsourcing Worldwide, 2010–2015, 1Q12 Update Bryan Britz | Allie Young | Rolf Jester | Gianluca Tramacere | Dean Blackmore | Christine Tenneson | Misako Sawai 28 March 2012 G00227374

Figure 3. Global Impact Sourcing Market Size, 2010–2015 ($B)
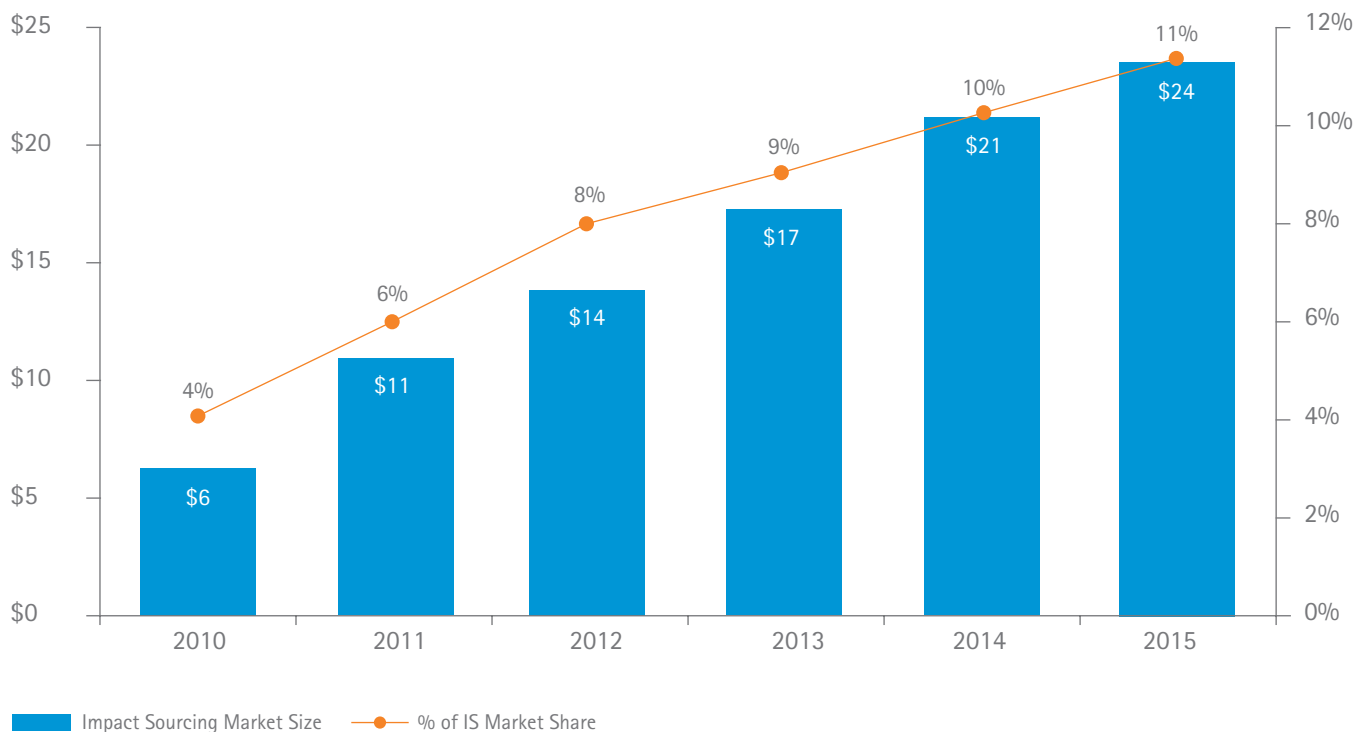
Source: © Avasant GSC – December Newsletter December 2011.
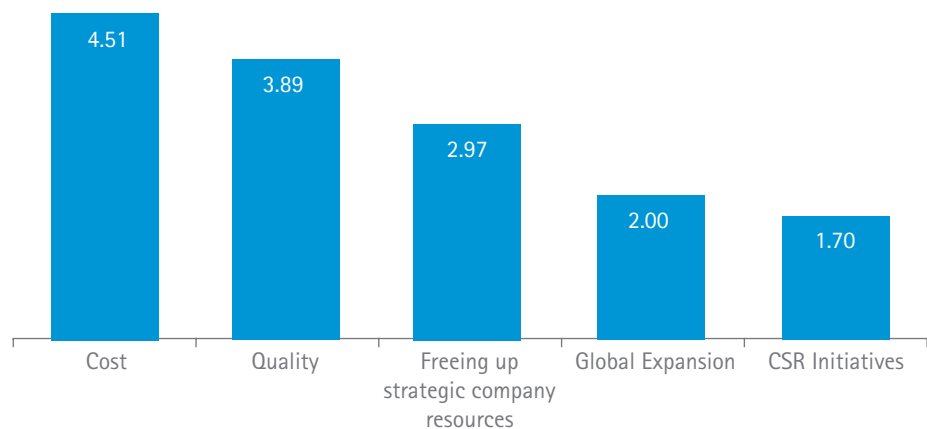
DEMAND FOR IMPACT SOURCING

As part of this feasibility study, Accenture surveyed 322 Accenture outsourcing client account teams across 29 different countries and all industry verticals. The survey covered a range of questions with the intention of understanding a company's current outsourcing capabilities and appetite for Impact Sourcing initiatives. The survey findings provide considerable insight into whether or not demand for Impact Sourcing exists and, therefore, whether providing Impact Sourcing services can help to harness the talented workforces in areas where there are low employment opportunities.

When deciding between outsourcing providers, the client's top two buyer values continue to be cost and quality; other priorities, such as freeing up strategic company resources, global expansion and Corporate Social Responsibility (CSR) initiatives, are secondary to these (see Figure 4).

Next, in assessing the demand for Impact Sourcing, the survey highlighted that 48 percent of companies are interested in pursuing such opportunities in Kenya, Ghana, South Africa or rural India. However, there seems to be no correlation between organizations with an existing CSR agenda and their willingness to participate in Impact Sourcing (see Figure 5).
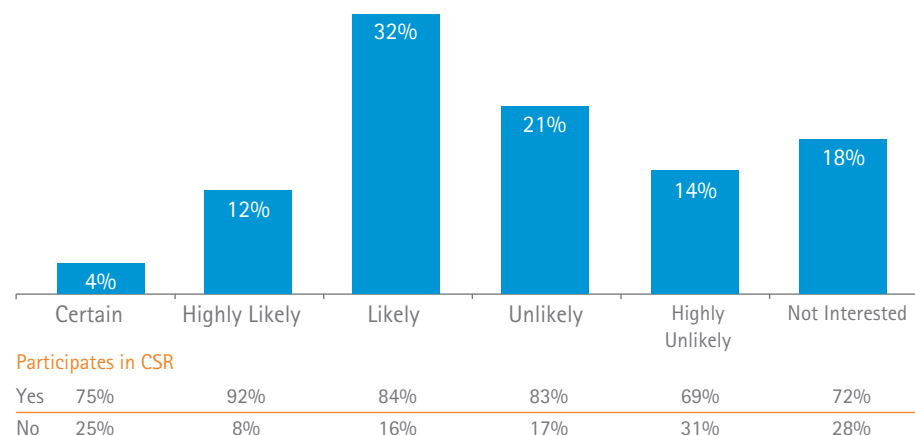
Figure 4. Outsourcing Buyer Values

Ranking of outsourcing buyer values. Rating is based on a scale of 1 (e.g. least important) to 5 (e.g., most important)

Cost	Quality	Freeing up strategic company resources	Global Expansion	CSR Initiatives
4.51	3.89	2.97	2.00	1.70

Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

Figure 5. Impact Sourcing Demand and CSR

Correlation between a company participating in CSR and their likelihood of participating in Impact Sourcing

	Certain	Highly Likely	Likely	Unlikely	Highly Unlikely	Not Interested
	4%	12%	32%	21%	14%	18%

Participates in CSR

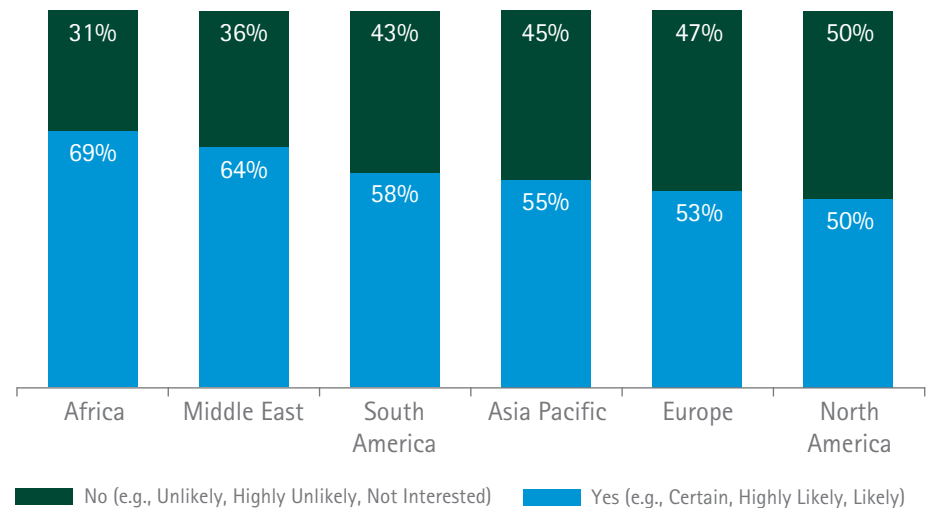|	Certain	Highly Likely	Likely	Unlikely	Highly Unlikely	Not Interested
Yes	75%	92%	84%	83%	69%	72%
No	25%	8%	16%	17%	31%	28%

Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

Our analysis suggests that companies that operate and sell their products and services in Africa and the Middle East are more likely to participate in Impact sourcing (see Figure 6 and 7).
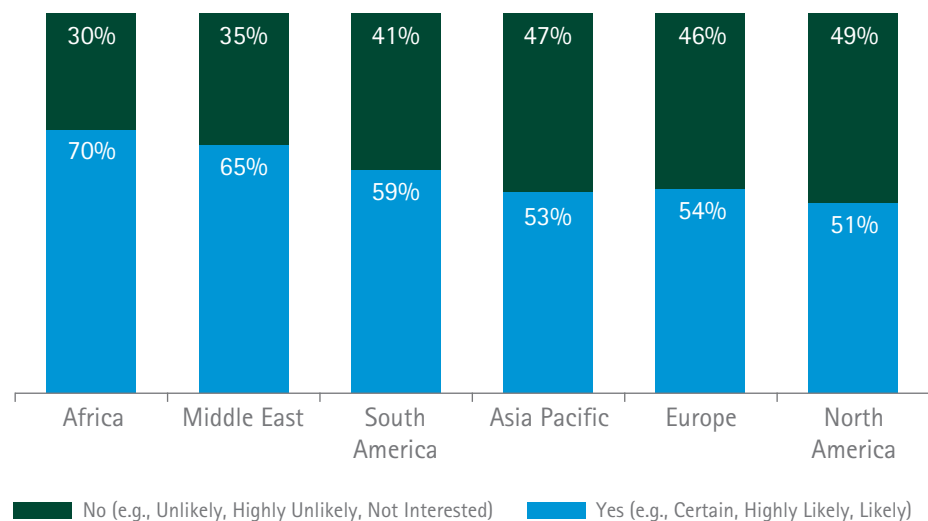
Figure 6. Impact Sourcing Demand and Operating Region

Correlation between a company's operating regions and likelihood of participating in Impact Sourcing

	Africa	Middle East	South America	Asia Pacific	Europe	North America
No	31%	36%	43%	45%	47%	50%
Yes	69%	64%	58%	55%	53%	50%

■ No (e.g., Unlikely, Highly Unlikely, Not Interested)   ■ Yes (e.g., Certain, Highly Likely, Likely)

Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

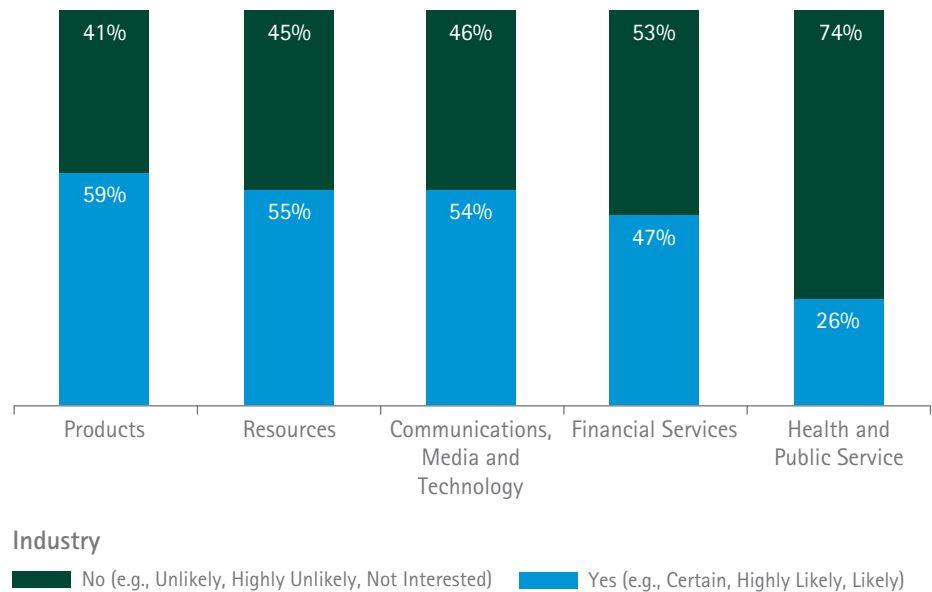**Figure 7. Correlation between Impact Sourcing and regions where products and services are sold**

Correlation between where companies' products and services are sold and their likelihood of participating in Impact Sourcing

	Africa	Middle East	South America	Asia Pacific	Europe	North America
No	30%	35%	41%	47%	46%	49%
Yes	70%	65%	59%	53%	54%	51%

■ No (e.g., Unlikely, Highly Unlikely, Not Interested)   ■ Yes (e.g., Certain, Highly Likely, Likely)

Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

Products (Retail, Pharmaceuticals, Automotive and Transportation, Tourism), Resources (Energy, Utilities, Chemicals, Mining), and Communications, Media, and Technology client teams are most likely to outsource services to these countries. Public Service account teams cited US government regulations to preserve jobs in the country as the reason for avoiding outsourcing to these countries (see Figure 8).
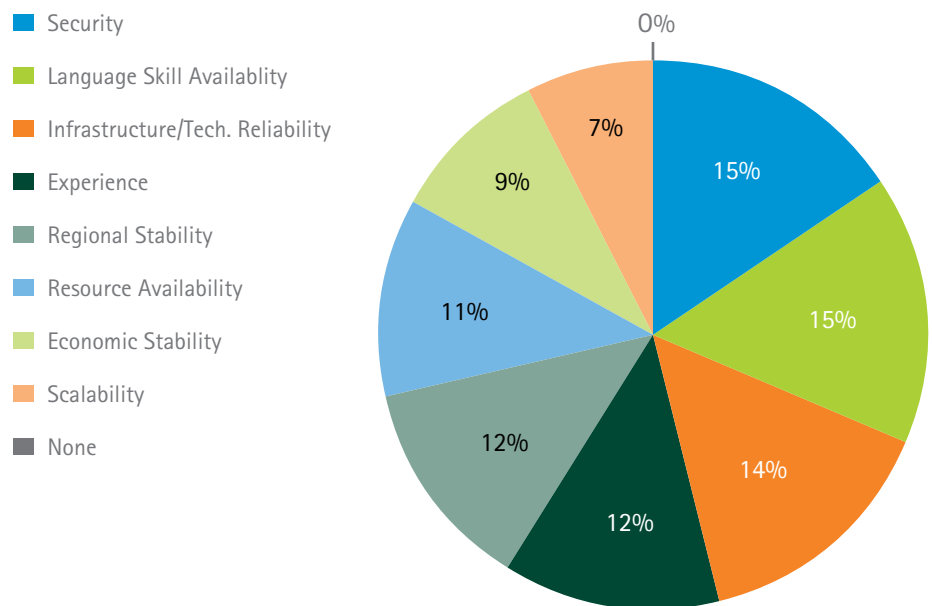
Figure 8. Impact Sourcing Likelihood by Industry

Industry	No	Yes
Products	41%	59%
Resources	45%	55%
Communications, Media and Technology	46%	54%
Financial Services	53%	47%
Health and Public Service	74%	26%

Industry

■ No (e.g., Unlikely, Highly Unlikely, Not Interested)   ■ Yes (e.g., Certain, Highly Likely, Likely)

Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

When client teams were asked to rank which barriers needed to be overcome in order for them to consider Impact Sourcing, the top four barriers were: Security, Language Skills Availability, Infrastructure/Technology Reliability, and Experience (see Figure 9).

Figure 9. Impact Sourcing Barriers to Entry

The traditional outsourcer will deliver to certain minimum standards in terms of infrastructure, work conditions, redundancy, data privacy and security

■ Security — 15%
■ Language Skill Availablity — 15%
■ Infrastructure/Tech. Reliability — 14%
■ Experience — 12%
■ Regional Stability — 12%
■ Resource Availability — 11%
■ Economic Stability — 9%
■ Scalability — 7%
■ None — 0%

Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

Once cost and quality expectations have been met, clients are most interested in Risk and Infrastructure Reliability (see Figure 10).

Figure 10. Criteria for Impact Sourcing

Characteristics companies are most interested in once cost and quality expectations have been met
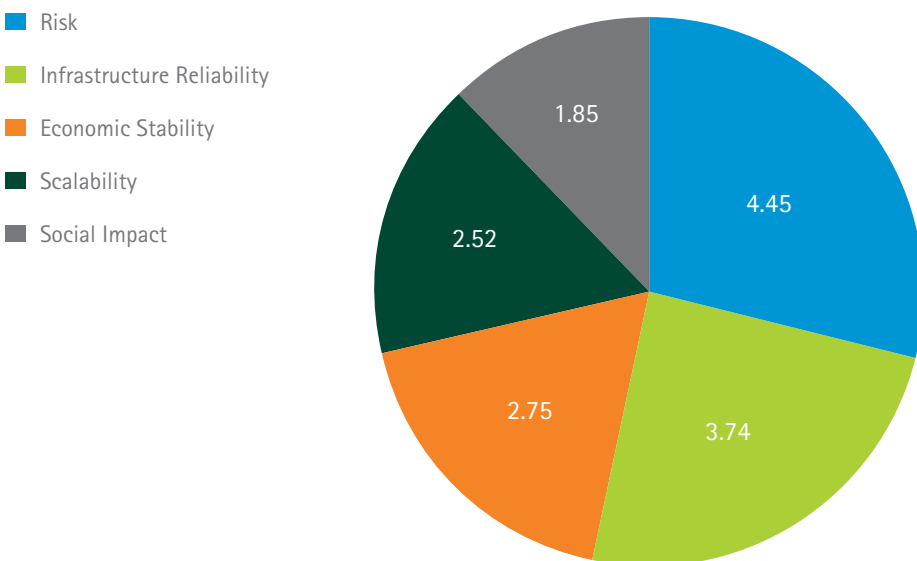
- Risk
- Infrastructure Reliability
- Economic Stability
- Scalability
- Social Impact

Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

When client teams were asked about the type of work they were willing to outsource through Impact Sourcing, they were primarily open to outsourcing a portion of Application Outsourcing and Business Process Outsourcing (see Figure 11).

Figure 11. Type of Outsourcing Work

Types of work companies would consider outsourcing to an Impact Sourcing Service Provider

- Application Outsourcing (AO)
- Business Process Outsourcing (BPO)
- Infrastructure Outsourcing (IO)
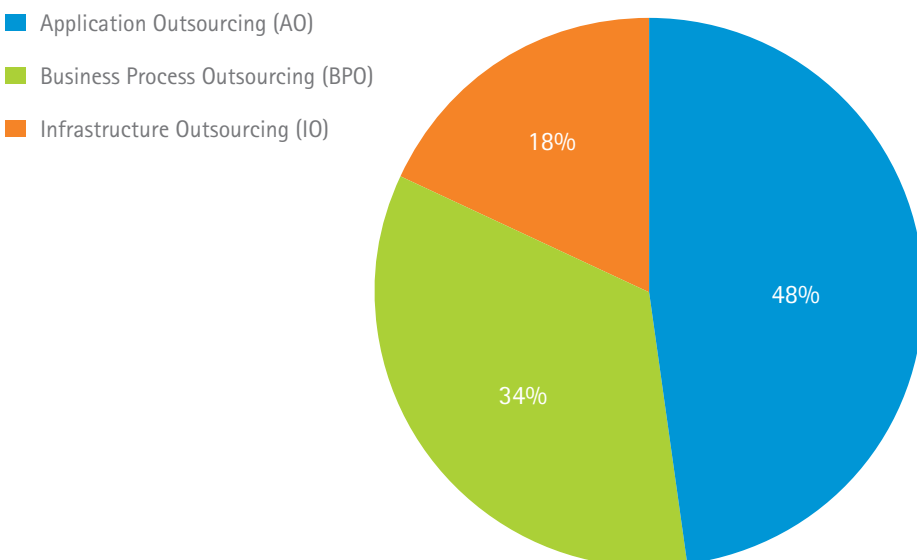
Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

When asked to what degree they would be willing to include Impact Sourcing as part of their overall outsourcing portfolio, the response was up to 25 percent (see Figure 12).

Feedback from Businesses

The team interviewed a number of Accenture global clients directly on the topic of Impact Sourcing, asking key questions around whether Impact Sourcing was applicable and of interest to their business, and the type of work and locations that would be suitable for Impact Sourcing. The overwhelming response was that Impact Sourcing is something that big businesses would like to consider in the future for their outsourcing initiatives. Some of the key feedback is given below.

"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."

Chief Advocacy Officer of a global healthcare company.

"Impact Sourcing is of interest to us ... we have experience of the ecosystem associated with such initiatives, when we've partnered with NGOs previously we've received donor funding for local sourcing initiatives. It would definitely be part of our CSR agenda, however it would be an add-on – we would undertake such initiatives without the CSR impact because of the need for high quality products."
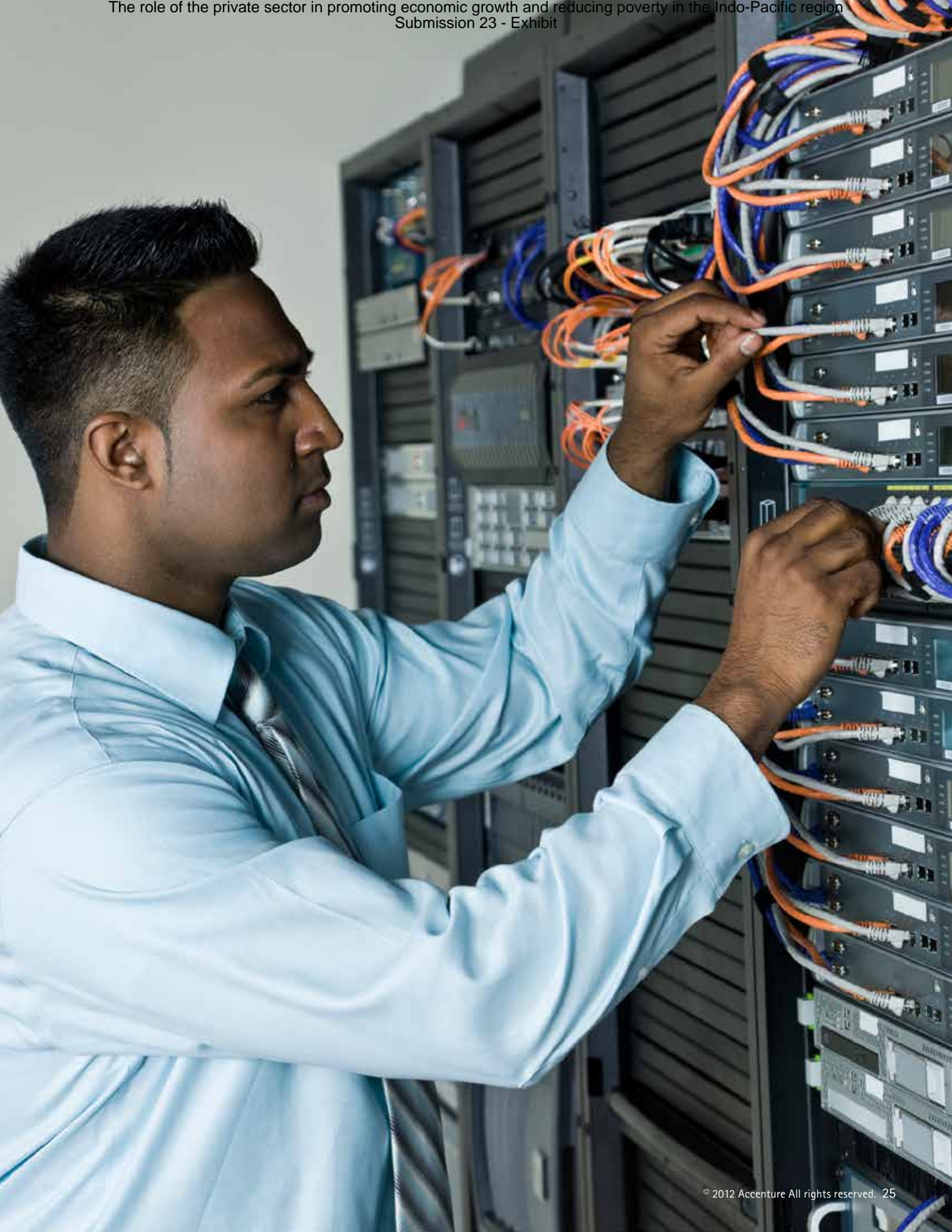
Senior Manager of a global brewing and bottling company.

Figure 12. Impact Sourcing Company Portfolio

Percentage of their total outsourcing portfolio companies would consider sourcing through an Impact Sourcing Service Provider

% of Total Outsourcing Portfolio as Impact Sourcing
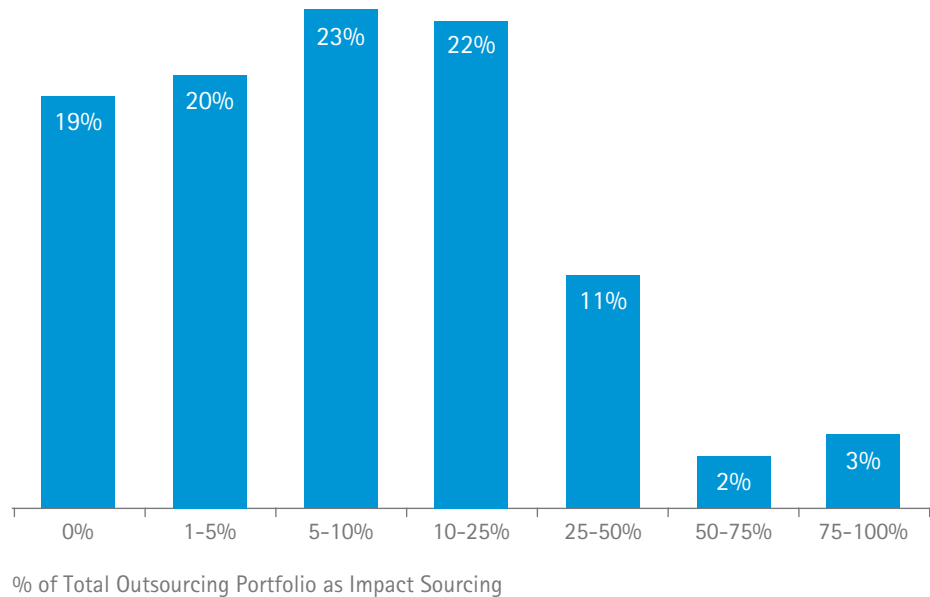
Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012.

MARKET PRICING

The long-term market price for Impact Sourcing Service Providers remains similar to that of traditional outsourcing providers due to the cost competiveness of the market. What differentiates ISSPs from traditional outsourcing providers is the startup cost – the initial capital investment required for education and infrastructure (See figure 13).

Traditional outsourcing providers generally offer some degree of training; however, due to the lack of previous work experience of the populations Impact Sourcing aims to target, there is a need to up-skill labor pools to provide them with competencies necessary to be successful – this can often come in the form of professional skills or language training. As elaborated on in the business model section of this paper, these additional costs can often be mitigated by donor support.

Impact Sourcing quite often operates in remote locations or developing countries which may be less equipped with the infrastructure necessary to support a scalable center that can compete with international players.

The cost profiles of ISSPs operating out of rural areas versus those working in urban centers are different. ISSPs in rural areas benefit from lower relative run costs, such as reduced labor and facility expenses, yet may have higher training costs associated with reduced secondary and tertiary education rates. Telecom costs tend to be similar, yet monopolies exist in more remote locations which can raise prices. These locations typically exhibit higher startup expenses with the absence of established roads, office space, or fiber lines. These costs can often be mitigated by local government or telecom company support.

Urban centers benefit from lower startup costs, making use of established fiber lines and office space. The emergence of technology office parks such as Kenya's Konza Technology City increases the attractiveness of these locations. In contrast, these regions have higher living wages and property values which can make them less appealing.

The price for services performed by ISSPs may also be higher if clients wish to reinvest funds back into local communities. Based on the survey results obtained by Accenture, 21% of client teams are willing to pay a premium to participate in Impact Sourcing in Kenya, Ghana, South Africa or rural India (see figure 14).

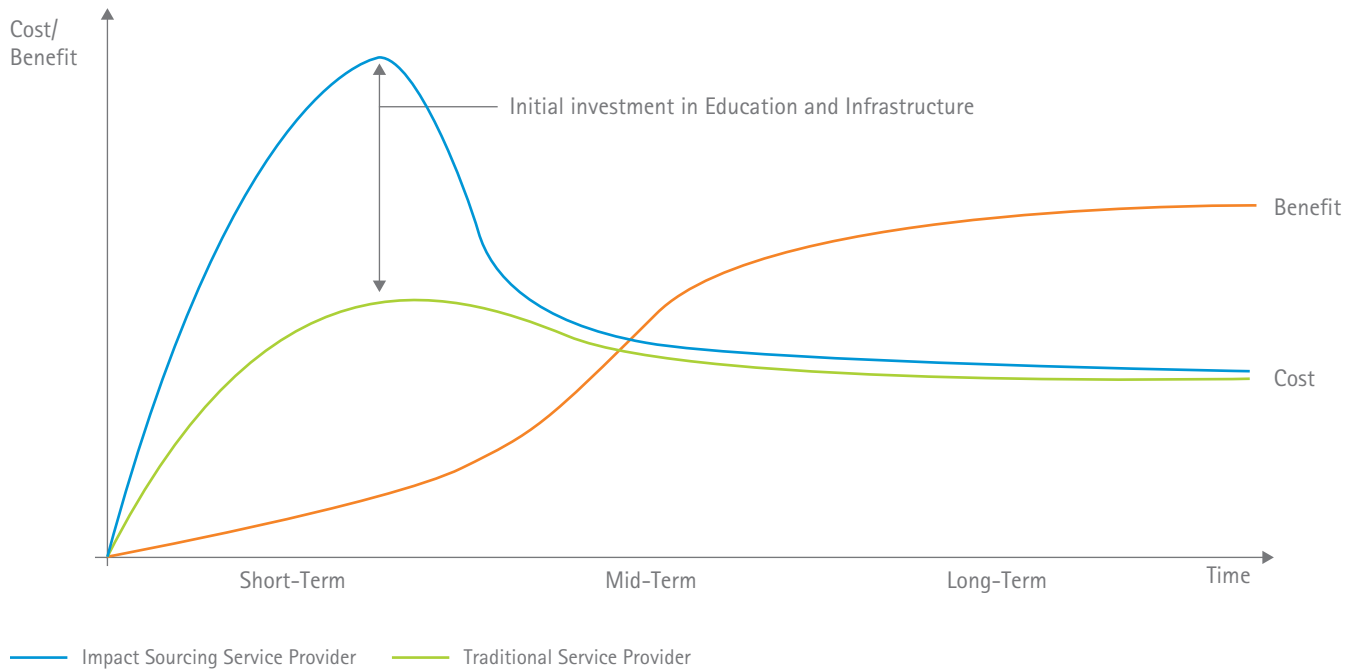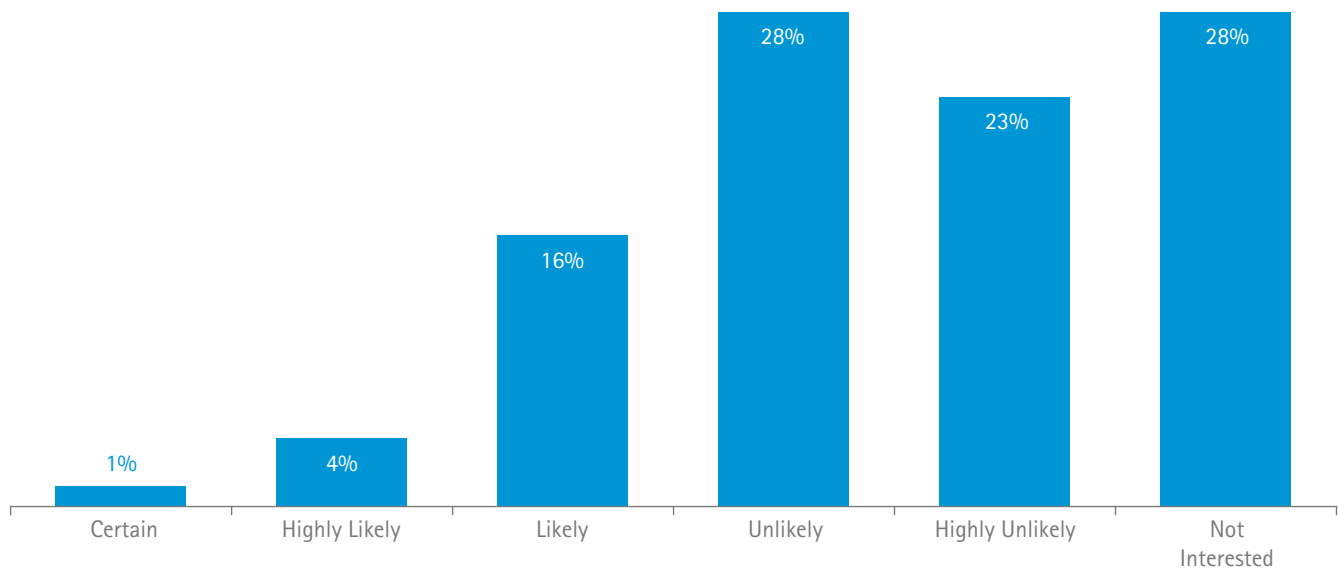**Figure 13. Investment Curve**

Figure 14. Impact Sourcing Premium Likelihood

The likelihood of companies paying a premium for Impact Sourcing if it was reinvested back into the service

Source: Accenture Analysis, Impact Sourcing Feasibility Survey, 2012

LOCATION ANALYSIS

This analysis focuses on countries with current Impact Sourcing activity, including Kenya, Ghana, South Africa, Egypt, the United States, and India. It aims to provide a point of view on the attractiveness of various geographies by looking at the impact of different macro trends that are comparable across multiple geographies. A short list of six countries (distinguishing between rural areas and urban centers) were included in the analysis. The 12 locations were ranked based on seven high-level characteristics derived from 19 individual metrics (see Table 3). In situations where there was insufficient data to systematically score these locations, appropriate data points were used as proxies.

Of the seven location characteristics used for ranking, the first five are a measure of the risk profile and represent potential barriers to entry. The other two comprise the cost profile. For each characteristic, locations are ranked on a scale of one (e.g., least favorable) to five (e.g., most favorable) to generate a score for both barriers to entry and cost. Weighting was assigned to both categories based on:

• **Barriers to entry:** Importance to client, indicated by survey responses and interviews.

• **Cost:** Larger expense groupings over the period of a typical outsourcing engagement.

The risk profile comprised the following metrics. It aims to articulate the challenges in mobilizing a delivery center and attracting organizations to outsource tasks and non-core processes to specific locations.

• Networked Readiness Index

• Ease of access

• Maturity of outsourcing market

• Index of economic freedom

• Human Development Index

• Ease of doing business rank

• Corruption Perception Index

• GDP

• FDI (net inflows)

• English language availability

• Higher education and training

• Government Readiness Index

• Overall market risk

• Safety and security

The cost profile for each location comprised the following metrics and can be separated into the categories of startup and run/maintain.

• Training and physical infrastructure

• Total tax rate

• Cost of telecom/technology infrastructure

• Facility costs

• Cost of labor

It should be noted that any type of location analysis is, to some degree, time-sensitive as the global environment is continually shifting.

Evaluation Matrix

Barriers to entry are represented on the vertical axis, with cost on the horizontal axis. Locations with a favorable cost profile and limited barriers to entry will be represented in the top right hand corner, while locations with many barriers to entry and high costs will be in the lower left hand corner (see Figure 15).

Overall, the analysis suggests that the rural areas and urban centers considered for the analysis can be characterized with many similarities. Rural areas were more likely to score lower with regard to language availability, access to skilled labor, ease of access (due to limited proximity to economic centers), and maturity of their outsourcing market. As a product of many of these characteristics, rural centers were more inclined to have lower cost profiles when compared to their urban counterparts. In particular, rural areas experienced lower labor and facility costs, yet high startup and telecom/technology costs.
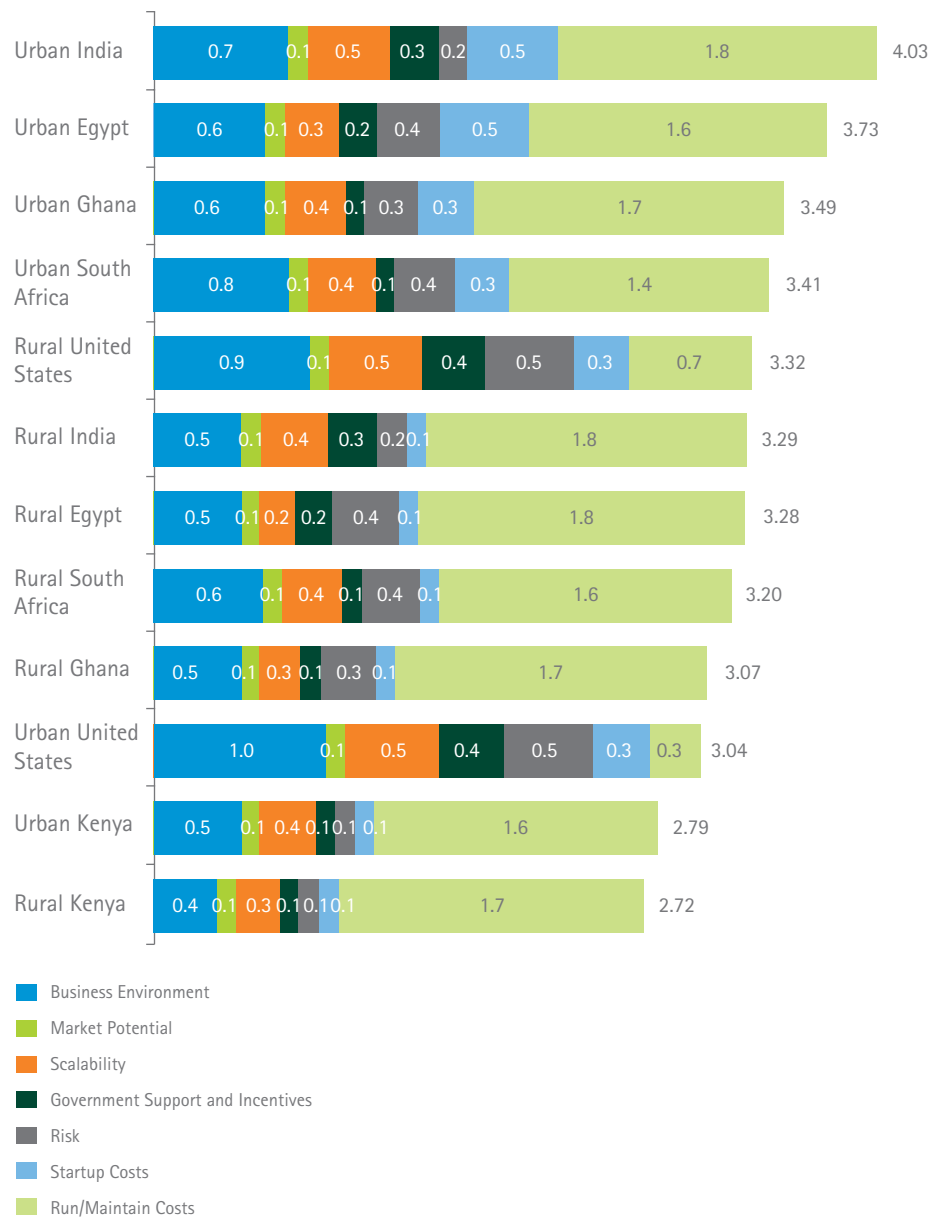
Figure 15. Evaluation Matrix
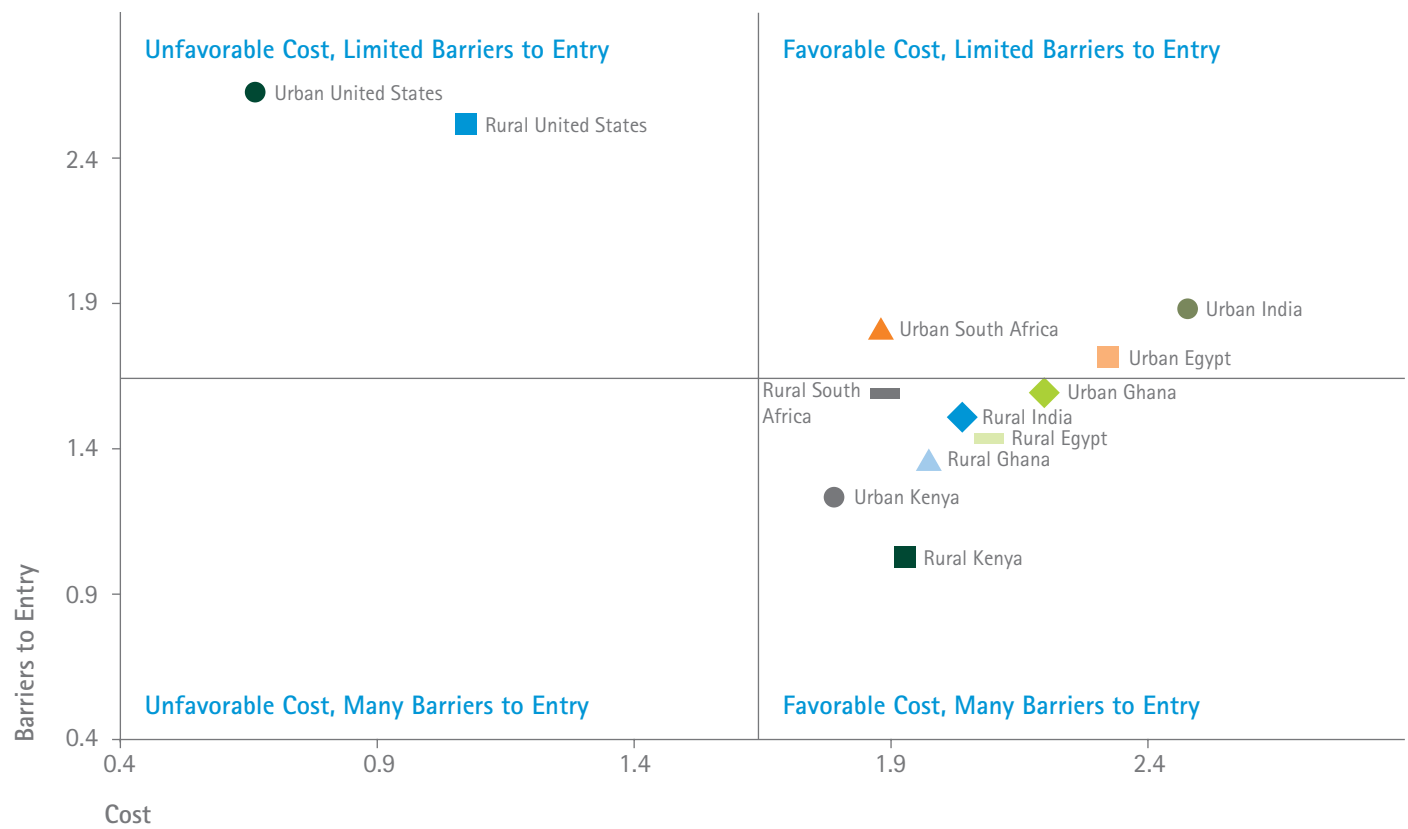
Source: Accenture Analysis, 2012.

In most cases, the urban equivalent showed relative opportunities in many of these same areas; such as a more developed outsourcing industry, improved language availability, greater access to skilled and experienced labor pools, and appealing proximity to economic hubs. Many of these factors lead to higher facility and labor costs as a product of increased living expenses. However, due to the economies of scale inherent in these areas, lower telecom/technology costs and startup costs were able to offset many of these high price points. Figure 16 illustrates the relative stack ranking of these geographies with regards to cost and barriers to entry based on the weighting in Table 3.

Figure 16. Scoring Analysis

Ranking is sorted from most favorable to least

Geography	Business Environment	Market Potential	Scalability	Government Support and Incentives	Risk	Startup Costs	Run/Maintain Costs	Total
Urban India	0.7	0.1	0.5	0.3	0.2	0.5	1.8	4.03
Urban Egypt	0.6	0.1	0.3	0.2	0.4	0.5	1.6	3.73
Urban Ghana	0.6	0.1	0.4	0.1	0.3	0.3	1.7	3.49
Urban South Africa	0.8	0.1	0.4	0.1	0.4	0.3	1.4	3.41
Rural United States	0.9	0.1	0.5	0.4	0.5	0.3	0.7	3.32
Rural India	0.5	0.1	0.4	0.3	0.2	0.1	1.8	3.29
Rural Egypt	0.5	0.1	0.2	0.2	0.4	0.1	1.8	3.28
Rural South Africa	0.6	0.1	0.4	0.1	0.4	0.1	1.6	3.20
Rural Ghana	0.5	0.1	0.3	0.1	0.3	0.1	1.7	3.07
Urban United States	1.0	0.1	0.5	0.4	0.5	0.3	0.3	3.04
Urban Kenya	0.5	0.1	0.4	0.1	0.1	0.1	1.6	2.79
Rural Kenya	0.4	0.1	0.3	0.1	0.1	0.1	1.7	2.72

- Business Environment
- Market Potential
- Scalability
- Government Support and Incentives
- Risk
- Startup Costs
- Run/Maintain Costs

Source: Accenture Analysis, 2012.

Table 3. Location Analysis Ratings Guide

	Characteristic	Metric	Source	Publication Year	Weight	
Barriers to Entry	Business Environment	Networked Readiness Index	The Global Information Technology Report 2010–2011. World Economic Forum, Switzerland and INSEAD.	2011	20.0%	5%
		Ease of Access				5%
		Maturity of Outsourcing Market				2%
		Index of Economic Freedom	Terry Miller, Kim R. Holmes, and Edwin J. Feulner, *2012 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2012), at www.heritage.org/index.	2012		2%
		Human Development Index	United Nations Development Program. From Human Development Report 2011, "Sustainability and Equity: A Better Future for All", by Jeni Klugman et al, copyright 2011 United Nations. Reprinted with the permission of the United Nations.	2011		2%
		Ease of Doing Business Rank	International Finance Corporation; World Bank. 2012. Doing Business 2012: Doing Business in a More Transparent World. © World Bank. https://openknowledge.worldbank.org/handle/10986/5907 License: CC BY 3.0 Unported	2011		2%
		Corruption Perception Index	Transparency International	2011		2%
	Market Potential	GDP	World Development Indicators, The World Bank: GDP Ranking	2010	2.5%	1%
		FDI (net inflows)	World Development Indicators, The World Bank: Foreign direct investment, net inflows (BoP, current US$) The World Bank authorizes the use of this material subject to the terms and conditions on its website, http://www.worldbank.org/terms.	2010		1%
	Scalability	English Language Availability	SourcingLine	2011	10.0%	5%
		Higher Education and Training	The Global Competitiveness Report. World Economic Forum, Switzerland, 2011-2012.	2012		5%
	Government Support and Incentives	Government Readiness Index	The Global Information Technology Report 2010–2011. World Economic Forum, Switzerland and INSEAD.	2011	7.0%	7%
	Risk	Overall Market Risk	Market Analysis	2012	10.0%	5%
		Safety and Security	Legatum Prosperity Index™	2011		5%
Cost	Start up Costs	Training and Physical Infrastructure			10.0%	10%
	Run/Maintain Costs	Total Tax Rate (% of profit)	International Finance Corporation; World Bank. 2010. Doing Business 2011 : Making a Difference for Entrepreneurs – Comparing Business Regulation in 183 Economies. © World Bank. https://openknowledge.worldbank.org/handle/10986/2549 License: CC BY 3.0 Unported.	2011	40.0%	2%
		Cost of Telecom/Tech Infrastructure	World Development Indicators, The World Bank	2008		7%
			World Development Indicators, The World Bank	2008		
		Facility Costs	Available commercial real estate	2012		7%
		Cost of labor	NeoIT, SourcingLine	2011		25%
Total					100%	100%

What differentiates an Impact Sourcing location analysis from a traditional outsourcing location analysis is the consideration of the relative 'need' of the respective communities for employment opportunities. For this analysis, the United Nations Human Development Index, which ranks countries by life expectancy, literacy, education, and standards of living, was used as a proxy to determine the impact ISSPs can have on these communities. Plotting this metric against the Scoring Analysis (in Figure 16) represents where Impact Sourcing could have the greatest impact on a particular community against each location's attractiveness from a commercial outsourcing location perspective (see Figure 17). This illustrates a trend for countries with a lower Human Development Index to exhibit a higher cost profile and increased barriers to entry, but show greater potential for Impact Sourcing to have a larger impact.

Country Profiles

Kenya provides many advantages that differentiate it from other global outsourcing destinations. The country is fitted with modern fiber optic cables, has developed transportation structure, and strategically located ports, all of which reduce the level of infrastructure challenges many companies encounter when establishing operations in developing countries. Increasing Internet speeds and decreasing costs, combined with strong language skills and a high-quality education system[19] increases Kenya's outsourcing scalability potential. The country shows moderate favorability with regards to ease of doing business when dealing with construction permits and access to credit, according to the World Bank.[20] In addition, Information and Communications Technology (ICT) is incorporated into the country's growth plan and its ICT Board is playing an active role in positioning and promoting Kenya as an outsourcing destination. Given the potential opportunity, there are several factors which stand to threaten its attractiveness to multinational

corporations. Kenya's human development ranking and inward foreign direct investment is held back by security concerns and perceived political risk/corruption as alluded to by Transparency International's Corruption Perception Index and Safety and Security sub index of the Legatum Prosperity Index™. In addition, there have been increased tensions and the risk of terror attacks by the Al Shabab militant Islamist group. Collectively, this is putting downward pressure on the country's market potential. Lastly, Kenya's perceived cost advantage is threatened by the inexperienced labor supply,[21] decreasing but still relatively high cost of bandwidth, high corporate tax rate,[22] and startup costs associated with ensuring facilities meet international standards. It is worth noting that many of these factors can be appealing from an Impact Sourcing perspective as they represent opportunity for large positive impact to the country, particularly in terms of employment for Kenya's large number of well-educated but unemployed people (see Figure 18).

Located on West Africa's coast, **Ghana** is one of the fastest developing nations for Business Process Outsourcing and is an ICT leader in the region. The country's outsourcing industry has experienced unparalleled growth and its government plans to account for a significant portion of the world's BPO market. To appeal to multinational corporations, Ghana has taken bold steps to increase its market attractiveness, offering technology parks at the Free Zone Enclave, University of Ghana, and KNUST University.[23] Ghana has constructed a Private Public Partnership model and plans to transform its education system to provide higher quality ICT skills.[24] The fact that Ghana shares the same time zone as the United Kingdom appeals to companies based out of many European countries. The World Bank's ease of business ranking for Ghana is favorable, with strong ratings with regard to dealing with registering property, getting credit, protecting investors, and enforcing contracts.[25] Ghana's labor and facility

costs are relatively similar to those of Kenya; however, these are threatened by the country's high inflation rates which are heavily attributed to oil discovery. A low corporate tax rate, low security concerns,[26] exemptions on customs duty for research and development, and strong patents and copyright legislation is improving the country's appearance to investors, helping to drive inward foreign direct investment. Impact Sourcing has the potential to increase the country's global standing, improving employment opportunities for skilled labor[27] and helping to overcome moderate concerns with overall market risk.

South Africa shows a great deal of potential in the global IT outsourcing market today. Due to its cultural similarity to western geographies and its compatibility with Europe's time zone, it is gaining momentum as a popular outsourcing destination. Having recognized the potential of outsourcing for fostering economic growth, the government has launched the Accelerated and Shared Growth Initiative for South Africa. In 2007, it launched an investment incentive focusing on a marketing strategy, training subsidies, and a pricing framework for ICT to further attract outsourcing organizations.[28] "Call centers are a big focus of the business process outsourcing (BPO) industry and South Africa can offer sufficiently educated personnel. However, higher-skilled IT employees are in short supply. South Africa has lost highly skilled workers through emigration, and discrepancies in the quality of education across the country have resulted in a large yet unskilled workforce. Compared with the rest of Africa, South Africa has the largest telecommunications network. Although telecom costs have decreased, they are still high compared with developed nations. South Africa is very competitive on the operating cost front, with lower office rent, property taxes and operating expenses than in most other offshore locations."[29] It's worth noting though, that the country ranks 123rd on the human development index with moderate

Figure 17. Cost/Barriers to Entry against the Human Development Index

Cost and Barriers to Entry scoring for these locations was plotted against the Human Development Index. A higher scoring for Cost/Barriers to Entry represents a favorable cost profile and limited barriers to entry.
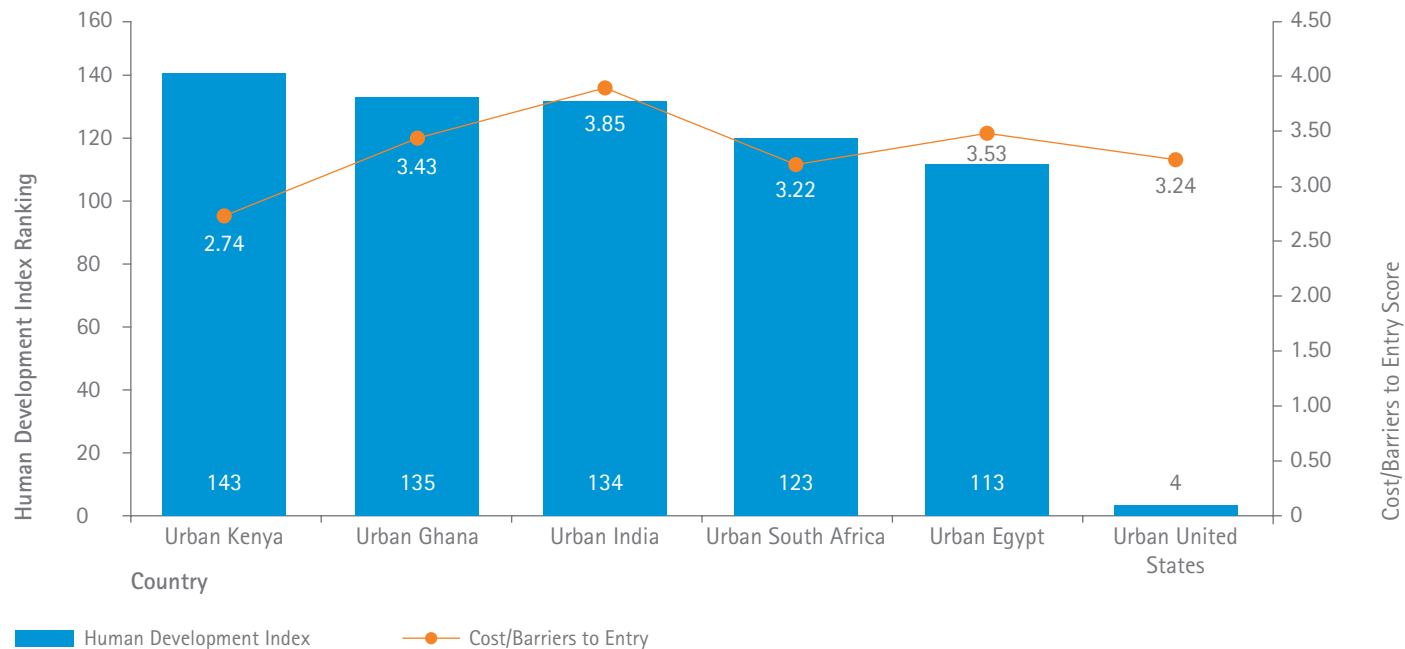
Source: Accenture Analysis, 2012.

Figure 18. Ease of Doing Business (World) Ranking
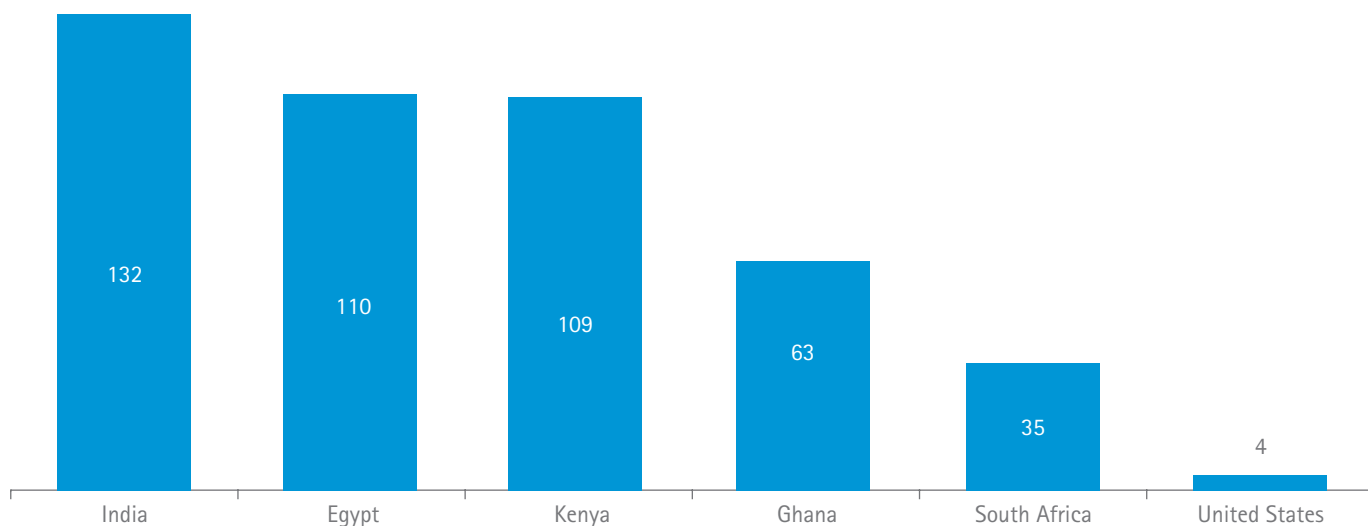
Source: International Finance Corporation; World Bank. 2012. Doing Business 2012 : Doing Business in a More Transparent World. © World Bank. https://openknowledge.worldbank.org/handle/10986/5907 License: CC BY 3.0 Unported.

safety and security risk, according to the Economist Intelligence Unit (EIU)[30] and Legatum Prosperity Index™ (see Figure 17). Impact Sourcing does, however, have the potential to contribute to South Africa's human development and economic growth and stem some of the country's emigration of skilled workers.

Egypt is probably the Middle Eastern country currently best situated to take advantage of the rise in outsourcing. The country is well-positioned to take on a greater role in delivering IT services with low infrastructure costs, a large young population, and competitive salaries compared with many other offshore services locations. Given Egypt's strategic location, it is easily accessible to much of Africa, Europe and the Middle East. It has an affinity to western culture, and is home to many language institutions that can support the demand for skilled and multi-lingual labor. Its geographical location between Europe, Asia, and the US, puts Egypt within the time zone of GMT+2, allowing it to serve most of the world. Despite its potential, the region has an unstable geopolitical system and has been plagued by recent political uprisings that can prevent it from attracting foreign investors. However, Egypt is equipped with a talented labor pool which can be employed in Impact Sourcing jobs to combat its increasing unemployment rate of 12.2% which is causing concern coupled with the associated risk of skills moving out the country.[31]

Contrary to common perceptions about outsourcing, there are many projects which remain onshore. High unemployment in the United States is creating pressure to source more jobs in-country. Call centers are being built in rural areas which offer a lower cost of living and lower real estate expenses. Many Health and Public Service institutions must comply with government restrictions to keep their operations onshore. Employing a resource in the United States can be more expensive than many developing countries; however, the quality and range of skills within the workforce is broader and therefore can be more attractive to organizations searching for higher quality resources. American companies are receiving new incentives to create jobs domestically; tax credits are being issued to companies that are creating jobs in country. The government is also closing loopholes that make it more appealing to source jobs overseas.[32] Relative to global outsourcing destinations, the United States has the least amount of barriers to entry benefiting from a GDP of $15 trillion and inward foreign direct investment of $228 billion,[33] showing phenomenal market stability and longevity. The thriving business environment is supported by a good human development ranking, and low corruption along with high levels of safety and security make this market extremely attractive from a risk perspective. This makes Impact Sourcing an ideal way to help reduce the high unemployment rate in the country.

Currently, India is the leading country for offshore outsourcing. The offshore outsourcing industry began in India and has helped to grow the IT and BPO export sector to $512 billion (see Figure 2). While India does have challenges its needs to overcome, it has an unparalleled history in the outsourcing sector and size. The United States and Europe are the largest clients for the Indian outsourcing industry and account for 60 percent and 31 percent, respectively, of IT and BPO exports.[34] "An excellent government support system and a skilled, highly scalable IT labor pool differentiates India as the top offshore destination. India is making strides in the overall improvement of its educational system and upgrade of its infrastructure, which will have a long-term positive impact on the attractiveness quotient of India as an offshore location if progress continues."[35] A rising cost structure, high attrition rates, security, and corruption perception are poised to be key challenges the country needs to overcome. India shows excellent market and scalability potential through its current GDP and Inward FDI, yet it continues to score relatively poorly in human development, economic freedom, and ease of doing business (see Figure 17). Impact Sourcing could potentially improve India's overall human development, particularly as outsourcing companies move to lesser developed rural areas where there is greater need for employment opportunities.

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BUSINESS MODELS

Although there are inherent differences between Impact Sourcing Service Providers and how they conduct their business, each ISSP can be categorized as making use of one of two broad business models (which each have two variations). In so doing, we can start to establish the commercial conditions and organizations that must be present for an Impact Sourcing initiative to exist. The service model will explore in more detail the operations of an Impact Sourcing Service Provider.

The Business Model Definitions

Client: Organizations that purchase outsourcing and are potential candidates for buying Impact Sourcing

ISSP: Impact Sourcing Service Provider. An organization set up with the explicit intent of undertaking outsourcing work that is classified as Impact Sourcing

Traditional Outsourcer: A provider of traditional outsourcing services that may undertake a percentage of outsourcing work that is classified as Impact Sourcing

Employees: Local disadvantaged populations that are employed to undertake outsourcing activities

Training centers/schools/universities: Organizations (usually local) that feed the talent supply for the outsourcing center

Outsourcing center: The physical center where the outsourcing tasks are completed. It can be owned by the ISSP or a traditional outsourcer.

The Base Impact Sourcing Business Models

Two **base** Impact Sourcing business models exist in which an ISSP can act as a prime contractor or subcontractor.

Model A: The ISSP/traditional outsourcer owns the outsourcing contract and interacts with the client. The ISSP/ traditional outsourcer delivers the service to the client, owns the outsourcing center and manages local employees to perform the day-to-day outsourcing tasks.

Model B: The ISSP/traditional outsourcer is the prime contractor.[36] It owns the outsourcing contract and interacts with the client; however, the prime contractor uses an ISSP subcontractor to deliver the service and perform the day-to-day outsourcing tasks. There can be more than one subcontractor used in this model. The prime contractor retains overall accountability for the contract and service provision.

Both models A and B are **self-sustaining** – they do not require funds from additional organizations to operate. An ISSP/traditional outsourcer or ISSP

subcontractor can receive government support and still exist in this model if the government support is available to all organizations within the sector with which it is associated.

An organization can, in fact, operate in a Model A environment while also operating in a Model B environment in an instance where multiple contracts are being delivered that have different commercial terms. However, it is an ISSP organization's **predominant** business set-up that dictates the model that it aligns to. For example, ISSP Horizon, which has operations in Kenya and Mozambique and employs 80 disadvantaged individuals in each outsourcing center, delivers three outsourcing contracts to three different clients. One contract is under a Model A construct – Horizon interacts directly with the client to deliver this contract, Horizon's employees deliver the work, and Horizon is accountable for delivery of the contract. The other two larger outsourcing contracts are executed under a Model B construct: Horizon's employees deliver the work but a traditional outsourcer, not Horizon, is accountable to the client for contract delivery. Taking into consideration the three outsourcing contracts Horizon is delivering, it is classified as a "Model B" ISSP since this is the construct the majority of its business operates under.

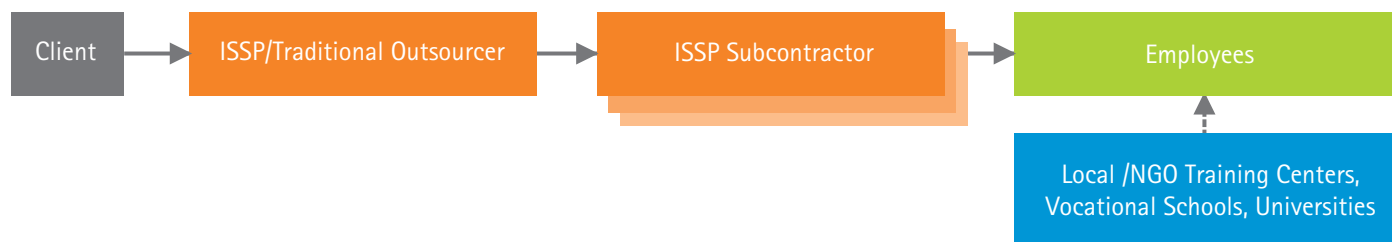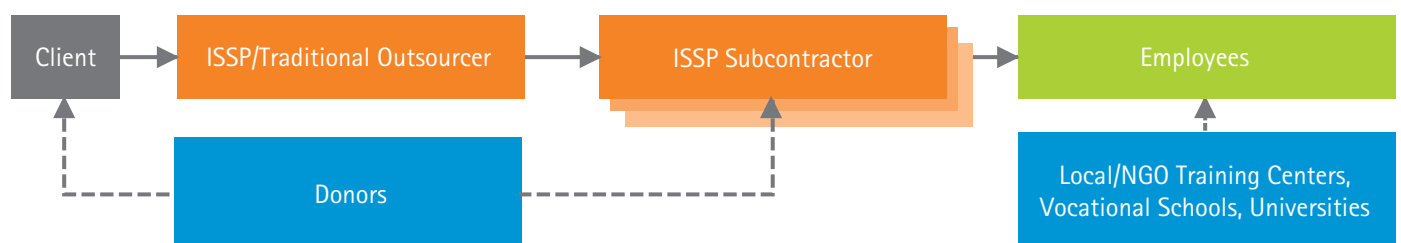**Figure 19. The Two Base Impact Sourcing Business Models**

Model A

Model B

Figure 20. The Two Interim Supported Impact Sourcing Business Models

Model A

Model B

Example

Cayuse Technologies is an Impact Sourcing Service Provider in Oregon, North West America. It was set up with the explicit intent to provide job security and reasonable wages for the economically disadvantaged local Indian Reservation community. Of its outsourcing contracts, 98 percent are sourced and managed by Accenture. Cayuse Technologies acts as the subcontractor and Accenture, as a traditional outsourcer, is the prime contractor and operates a small percentage of its business as Impact Sourcing. Cayuse Technologies is thus classified as the ISSP subcontractor in a Model B environment. Training is provided by Cayuse Technologies for all employees at the start and throughout their employment, and local high schools and colleges (whose IT courses have been adapted by Cayuse Technologies) provide the talent for the center.

Model A and Model B are classified as base models – they are foundation models that can each have a variation based on funding support that impacts the environment in which an ISSP's business is conducted. ISSPs can either exist within the base models (above) or exist within the interim supported model (see Figure 20).

The Interim Supported Impact Sourcing Business Model

The interim supported Impact Sourcing business model is an extension of the base business models A and B. In the interim supported model, donor

organizations provide financial input to the Impact Sourcing Service Provider or traditional outsourcer and therefore have a stake in the operation. The external donor organizations could be NGOs, foundations, private or public companies.

While these "interim supported" operations, identified here as Model A' & B' have the same characteristics of ISSPs or traditional outsourcers following base Model A and/or B discussed above, to initially establish themselves and become sustainable, 'interim support' model operations require financial input from an external source. This financial support is usually required for the additional training and infrastructure required to establish an Impact Sourcing center.

The model is classified as an interim model because it is the intention of any ISSP player to become self-sustaining and move toward one of the two base models. The length of time an ISSP will make use of the interim supported model depends on the level of investment that it is required to pay back after initial set up, and the intended purpose of the donated funds – i.e., some ISSPs use the additional financial input to innovate or expand and would want to prolong this.

A government is not usually classified as a donor in the interim supported model. This is because government funding is generally universally available to those organizations that qualify. For example, certain local/country governments may provide a tax break to incentivize companies to come to their location -- these are in place whether a company is an ISSP or not.

As the model illustration suggests, in some instances, the client can receive donor funds. For example, The Rockefeller Foundation gave donor funding to the Kenyan Government in 2012 to complete a project to digitize medical records at Kenyatta National Hospital. This project was outsourced to an ISSP. Although the

donor funding was given to an Impact Sourcing initiative in this example, this may not always be the case when donor funds are given to a client, and therefore is not a condition for an Impact Sourcing business model.

Example

Digital Divide Data (DDD) is an Impact Sourcing Service Provider with centers in Cambodia, Laos and Kenya. It aims to provide business process outsourcing jobs to disadvantaged young populations of developing countries that want to gain a tertiary education through a work/study program. Although DDD can undertake work acting as a subcontractor, the majority of its outsourcing contracts are managed and delivered by DDD and its employees. DDD recruits employees for its work study program from local training centers for disadvantaged individuals.

DDD receives donor funding from sponsors, foundations and governments and uses the donations for: i) social costs, to provide scholarships and other benefits to employees, such as health insurance in Cambodia which is not provided by the government; ii) capital investment, for growth and expansion; and iii) organizational overhead, to support planning (strategic planning, research on new markets) and management overhead of the non-profit arm, including fundraising. Because of this, DDD is classified as working within an A' environment (the interim supported model).

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SERVICE MODEL

There are a number of considerations in order to set up a successful and scalable Impact Sourcing outsourcing center. These considerations are similar to those required for any outsourcing provider, but with variations specific to Impact Sourcing. The service model and typical Impact Sourcing operations are outlined in Figure 21 and Figure 22.

Most of the components of the service model will impact each another at some point within the operation. However the service model diagram shows where the service model components directly affect one another – the service functions affect, and are affected by job type, labor supply, training and demand.

Service Functions

Impact Sourcing services can span the full spectrum of outsourcing offerings.

This investigation has found that Impact Sourcing does not need to be limited to Business Process Outsourcing or those outsourcing tasks that are of least complexity. In fact, Impact Sourcing can include IT outsourcing and more complex tasks within that, such as application testing services. It should be noted that new ISSP operations tend to start out offering work of lower complexity until they are more established, when ISSP organizations have the ability to undertake more complex outsourcing work.

Type of Jobs

Impact Sourcing does not differentiate between the types of IT jobs created for the disadvantaged and it can encompass full or part time jobs. However, this study promotes the provision of meaningful jobs in Impact Sourcing as a means to alleviate poverty and encourage a greater positive impact on society.

A meaningful job is a job where the individual earns enough salary and benefits to support his/her family and not live in poverty.

Labor Supply

Impact Sourcing provides employment to disadvantaged individuals. These individuals are at a unique disadvantage and lack access to traditional employment. This includes individuals in areas of high unemployment. Impact Sourcing Service Providers determine their disadvantaged employees by implementing a screening process, by hiring from centers set up for disadvantaged people or by hiring from disadvantaged areas. Impact Sourcing operations typically require individuals with a full high school education or above.

Training

Impact Sourcing Service Providers that operate the Impact Sourcing outsourcing center will always offer some form of training, although the duration and complexity of this training differs. The training required is usually more than provided by a traditional outsourcing operation; often because a disadvantaged individual can lack exposure to the soft skills required within a professional environment or may require supplemental vocational training.

Typical Impact Sourcing training practices are:

• **Onboarding training:** Training given to employees at the start of their employment which often encompasses soft skills training, language skills, and introductions to the company and outsourcing practices. ISSPs can offer all, some or none of the above to its Impact Sourcing employees.

• **Product/process training:** Training specific to the product and/or process the employee will undertake. This can be on the job training (generally for lower complexity work) or an employee undertaking specific training courses (generally for more complex work, usually for 1-4 weeks). All ISSPs that operate an outsourcing center will offer some form of product or process training. The length of this training depends on the complexity of the outsourcing service offered.

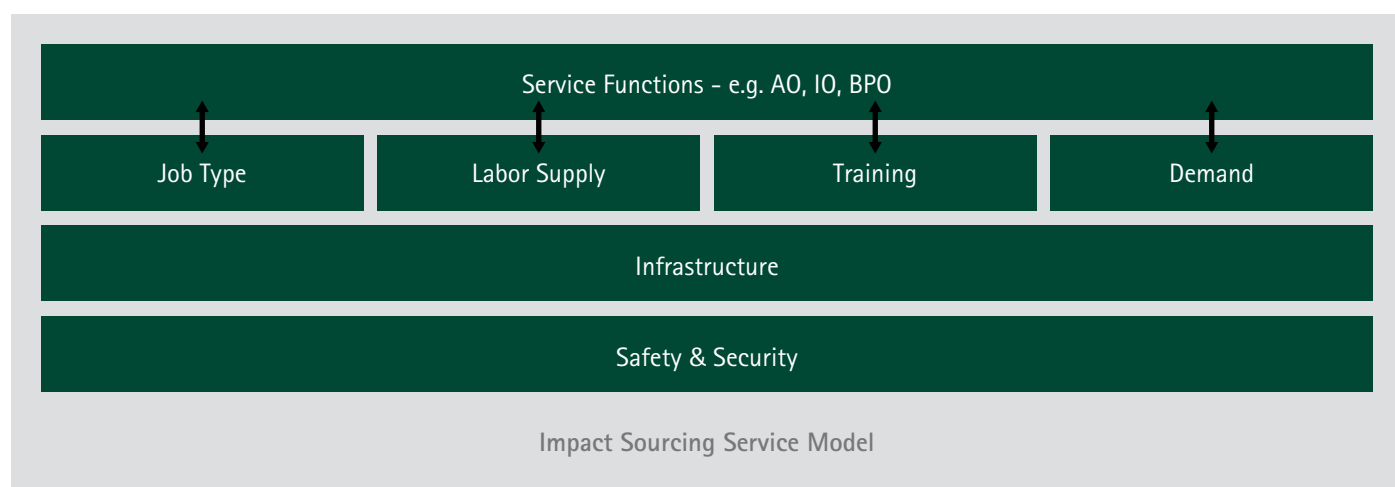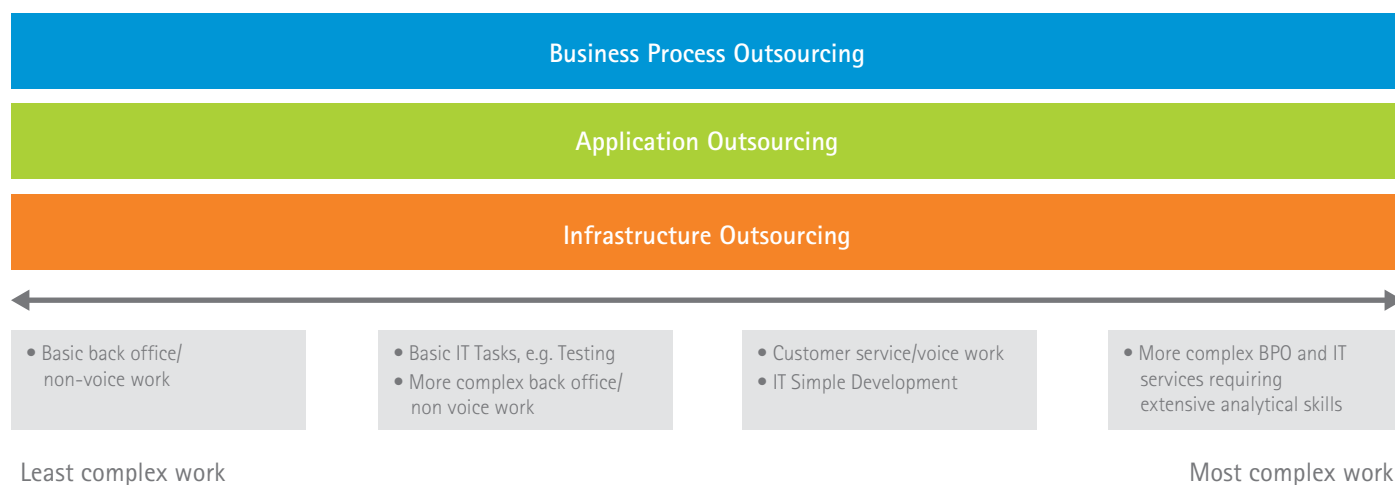**Figure 21. Various considerations within the Impact Sourcing Service Model**

Service Functions – e.g. AO, IO, BPO			
Job Type	Labor Supply	Training	Demand
Infrastructure			
Safety & Security			

Impact Sourcing Service Model

Figure 22. Impact Sourcing Service Functions

Business Process Outsourcing

Application Outsourcing

Infrastructure Outsourcing

• Basic back office/ non-voice work	• Basic IT Tasks, e.g. Testing • More complex back office/ non voice work	• Customer service/voice work • IT Simple Development	• More complex BPO and IT services requiring extensive analytical skills

Least complex work   Most complex work

• **Ongoing training:** Ad hoc training given during employment, usually a shorter duration (0.5–2 days). Not all ISSPs offer ongoing training courses to employees.

Demand

There are different forms of business development depending on the ISSP's business model. A business development function is always required, whether it be full or part time.

• For those ISSPs using an interim supported business model, the business development function can also be the function that searches for donor funds

• ISSPs or traditional outsourcers using a business model A or A' will create demand solely through their internal business development function

• When an ISSP exists as a subcontractor — business model B or B' — it will rely or partner with the prime contractor (the prime contractor being another ISSP or a traditional outsourcer) to identify new opportunities and demand.

Example

Invincible Outsourcing, an Impact Sourcing Service Provider, is a business process outsourcing business owned by the Maharishi Institute, an education center offering affordable degrees and foundation courses to students within Africa. Together, the organizations aim to provide affordable education to disadvantaged populations in Africa while also providing them with opportunities to gain outsourcing work experience and an income while studying. To its clients, Invincible Outsourcing offers a low price, high quality business process outsourcing service. Although Invincible Outsourcing does undertake work acting as a prime contractor (in a business model A' scenario), the majority of its outsourcing work is delivered as a subcontractor (in a business model B' scenario). Invincible Outsourcing will partner with a larger traditional outsourcer that acts as the prime contractor. This setup allows Invincible Outsourcing to access to larger clients and contracts as it can leverage the reputation of the traditional outsourcer who will guarantee existing levels of quality to the client. In return, employees of Invincible Outsourcing are more likely to then work for the traditional outsourcing company on completion of their studies.

Infrastructure

Buildings

For the majority of Impact Sourcing Service Providers, an outsourcing center is required from where the outsourcing tasks are delivered on a daily basis. This can be a purpose built center for the initiative (more usual in rural locations) or comprise the purchase or rental of an existing building (more usual in urban locations). Some Impact Sourcing Service Providers do not require a physical outsourcing center and instead ask their employees to operate remotely via mobile telephone devices or though internet cafes — e.g., txteagle.

Telecoms

Good telecoms infrastructure is a strong requirement of all Impact Sourcing Service Providers as their operations demand Internet and or phone connections.

Roads/Transportation

Where an Impact Sourcing Service Provider's outsourcing center is set up in a remote or rural location, which can often be the case when undertaking Impact Sourcing in order to reach target disadvantaged populations, road or other transportation infrastructure often needs to be invested in, which can require large initial investments.

Initial infrastructure investments can often be the reason for ISSPs starting with an interim supported business model.

Safety and Security

Impact Sourcing Service Providers often have additional safety and security concerns with regard to the areas in which they set up operations – targeting disadvantaged populations can mean operating in areas of higher risk. Because of this, it is common for Impact Sourcing Service Providers to give additional benefits to their employees, such as late night transportation. It can also mean that physical site security needs to be greater to protect property, e.g., computers, servers.

THE IMPACT SOURCING ECOSYSTEM

All of the service model inputs, and indeed business model players, will contribute to what we envision as the Impact Sourcing Ecosystem, whereby all players within the Ecosystem benefit from Impact Sourcing in a 'win-win' scenario.

The Impact Sourcing Ecosystem will leverage each organization's strength to create a positive impact on each other.

1. The Client or Buyer of Services

The client meets the objectives of its business case for Outsourcing. In addition to the traditional metrics of cost savings and growth objectives, the client has an opportunity to affect its Corporate Social Responsibility objectives while positively impacting the communities in which its outsourcing provider operates.

2. Service Provider

Traditional outsourcer or Impact Sourcing Service Provider. In addition to meeting the cost and quality expectations of their clients, these organizations are measuring and reporting on the employee impact and the community impact they are creating while serving their clients.

3. Employees/Talent Supply

They have access to training and job opportunities that otherwise would be unavailable to them. They are able to support themselves and their families. Economic stability will lead to greater access to healthcare and education as well.

4. Community at Large

The economic condition of the community is positively impacted through the greater purchasing power of its residents.

Figure 23. Impact Sourcing Ecosystem

Talent Supply/EMPLOYEES
• Gain employment
• Able to support family
• Greater access to healthcare, education

Service Provider/ISSP
• Cost and quality objectives are met
• Client satisfaction goals are met/exceeded
• Stronger relationship with the community is established

Impact Sourcing Ecosystem

Buyer of Services/CLIENT
• Cost savings are achieved
• Growth objectives are met
• Enhanced CSR outcomes are calculated
• Stronger relationship with the community is established

GREATER COMMUNITY
• Positive impact on the economy
• Increased purchasing power
• Happier and healthier community members

CASE STUDY
CAYUSE TECHNOLOGIES

Location	Pendleton, Oregon USA
Number of Employees	295 (September 2011)
Value Proposition	On-shore delivery center capabilities at near-shore prices. Provides job security and reasonable wages for economically disadvantaged Reservation community. Contributes to clients' supplier diversity targets.
Business Model	A for-profit business owned by The Confederated Tribes of the Umatilla Indian Reservation. Accenture, a traditional outsourcer, 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 is replicable. It has been repeated in Canada, providing jobs for the First Nations tribes. The model is scalable – the existing center is expanding to a second location. Base business model B.
Service Functions	Application and Infrastructure Outsourcing—35 percent; Business Process Outsourcing – 65 percent.
Labor Supply	Employees are sourced from local communities, including the Reservation community. Employees are generally educated to high school level. Extensive training is given to employees at the start of employment (4-8 weeks) with ongoing training days given to employees throughout the year.
Social Impact	Cayuse has a proven track record of training the chronically unemployed. Tribal unemployment was at 35 percent and regional unemployment was at 10 percent. Today, tribal unemployment is at less than 15 percent and regional unemployment is at 8.5 percent. Cayuse has impacted both figures. In addition, Cayuse supports local fundraising efforts, has introduced schemes to provide mentors for local elementary schools (through a work-to-school program), supports pro bono work for local charities and advises and supports local high school and college classes.

CASE STUDY
TECHNO BRAIN – BPO & IT ENABLED SERVICES

Location	Nairobi, Kenya & Uganda
Number of Employees	230 employees as of February 2012
Value Proposition	Provides high quality, highly efficient operations using a workforce with vast BPO experience
Business Model	For-profit business owned by Techno Brain supporting traditional Business Process Outsourcing contracts. The majority of BPO contacts are owned by Samasource and Techno Brain acts as subcontractor. A number of contracts are also managed directly by Techno Brain. Techno Brain owns the outsourcing centers, and the employees within these centers are employed by Techno Brain. The business model is scalable — Techno Brain BPO & IT Enabled Services have expanded to Uganda. Base business model B.
Service Functions	All business process outsourcing or IT enabled services
Labor Supply	Employees are sourced from local populations. For certain contracts, Techno Brain will recruit from NGO training centers that focus on providing ICT skills to poor and vulnerable populations. Employees are generally employed with a high school and diploma plus education. New employees receive soft skills, product and general call centre training (two weeks). Each employee receives six days of mandatory off-site training.
Social Impact	Social impact is not currently measured by Techno Brain. However, it has provided a significant number of jobs to disadvantaged populations within Kenya, a country facing a high unemployment rate of 40%.[37]

CASE STUDY
DIGITAL DIVIDE DATA

Location	**Phnom Penh & Battambang, Cambodia; Vientiane, Laos; Nairobi, Kenya**
Number of Employees	~1000 (February 2012)
Value Proposition	Provides competitively priced, high quality BPO services to clients while also creating better futures for disadvantaged youth from developing countries
Business Model	DDD is made up of separate entities – a non-profit parent company, a for-profit limited liability company, and a mix of for-profit and non-profit in-country operations. DDD provides outsourcing jobs to disadvantaged young populations of developing countries that want to gain a tertiary education through a work/study program. The majority of contracts are owned and managed by DDD and operated from their outsourcing centers within developing countries. The model has been scaled and replicated from its original Cambodia center. DDD receives donor money for: 1. Social costs such as scholarships and other benefits for employees 2. Capital for growth and expansion of DDD 3. Organizational overhead and to support planning and fundraising Interim Supported Business Model A'
Service Functions	All business process outsourcing
Labor Supply	The work/study program allows employees to work part time and study at their chosen education center part time. DDD pays for employees' education fees through a scholarship system. Employees must have obtained a secondary level (high school) education, and pass a rigorous screening process before starting at DDD. Training given is dependent on location – Asia employees receive extensive training prior to starting work (six months' English language course), while the Kenyan workforce receives on the job project specific training.
Social Impact	Social impact is measured by surveying current operators as well as people who have previously been in the work/study program and completed tertiary education. By 2012, 500 youth will have graduated from post-secondary education whilst being employed at DDD. Graduates of the program earned, on average, more than four times the mean wage of high school graduates.

CASE STUDY
MAHARISHI INSTITUTE – INVINCIBLE OUTSOURCING

Location	Johannesburg, South Africa
Number of Employees	850 students of which 550 are part time BPO workers (2012)
Value Proposition	To provide a low cost, high quality BPO service to clients, while allowing people from disadvantaged backgrounds access to post-secondary education, and a credible work experience that provides dignity and an income which they can live off.
Business Model	The enterprise is made up of three different parts: i) Maharishi Institute, a non-profit education centre offering accessible business degrees and foundation courses to disadvantaged students; ii) Impact Sourcing Academy, a non-profit business process outsourcing training institute; iii) Invincible Outsourcing, a for-profit business process outsourcing center employing Maharishi Institute and Impact Sourcing Academy students to give them relevant work experience and a wage while studying. Although Invincible Outsourcing has some contracts which they own, manage and deliver directly to the client, the majority of their business comes from contracts where they are the subcontractor. Invincible Outsourcing is supported financially by the Maharishi Institute on an annual basis only when funding is required. Maharishi Institute receives funding from a number of sources: Invincible Outsourcing, donors, bursary repayments, and government. Interim Supported Business Model B'.
Service Functions	All business process outsourcing
Labor Supply	All students must come from disadvantaged areas and prove financial assistance is required to complete an education. Students in 2012 come from nine different African countries (predominantly South Africa). Maharishi Institute attrition levels dropped 23 percent to 10 percent when Invincible Outsourcing was opened, giving a wage to employees/students. Students must have a high school education. All training and education is provided by the Maharishi Institute or Impact Sourcing Academy.
Social Impact	Maharishi Institute measures social impact through the number of people educated, the number that pass each year, the number that graduate, the number that are employed, and the broad earning ranges of graduates.

CHALLENGES TO IMPACT SOURCING GROWTH

Impact Sourcing is a reality today, however in order for it to scale and have a bigger presence tomorrow, certain challenges need to be recognized and addressed. This report has identified five key challenges for the market, with suggested mitigation strategies. The list is by no means exhaustive, yet in terms of this investigation it represents the most pressing challenges to the industry.

CHALLENGE: Impact Sourcing needs access to the right talent

Employing disadvantaged people cannot mean compromising the quality of outsourcing services delivered. Minimum educational attainment standards (minimum secondary education) must be reached by all employees, and ISSPs/traditional outsourcers need to invest in the right training initiatives. This is particularly pertinent when considering the employability gap that is being seen today, whereby even people coming out of educational institutions can be deemed as 'not employable' by organizations due to skills gaps. This study advocates the use of training partner organizations as a method of mitigating the risk of a talent shortfall if the ISSP/traditional outsourcer

lacks the core competencies to develop the training itself. Evidence suggests that if an ISSP/traditional outsourcer partners with a training facility capable of delivering relevant training, (whether it be a parent company, independent company, NGO or other facility) an ISSP/traditional outsourcer's operations can thrive and offer increasingly complex outsourcing work to clients.

Example

Invincible Outsourcing, an Impact Sourcing Service Provider, is owned by the parent organization, the Maharishi Institute. The Maharishi Institute is an education center offering accessible degrees and foundation courses to students within Africa, it also provides the specific training required for Invincible Outsourcing's employees to execute their outsourcing tasks. Invincible Outsourcing is increasingly getting opportunities to execute more complex outsourcing contracts due to the partnerships it has with larger traditional outsourcers, but also because of the vocational training offered by the Maharishi Institute.

CHALLENGE: Impact Sourcing needs to attract larger pools of demand to scale

Impact Sourcing has a number of success stories. However, to make it a true force in the outsourcing world, Impact Sourcing needs to scale up. This report identifies one of the key tools to enable scalability is the ability to attract large corporations willing to outsource a portion of their outsourcing work to an Impact Sourcing initiative. To achieve these larger commercial contracts, it must be recognized that Impact Sourcing can offer the same type, depth and quality of outsourcing services as traditional outsourcing, and those services must be marketed.

CHALLENGE: The Impact Sourcing model should be replicable

There are a number of players within an Impact Sourcing model, it crosses corporate, government and non-profit boundaries in a way that few initiatives do. Because of this complex set up, a

key challenge is creating a "repeatable roles and responsibilities" template for all players within Impact Sourcing initiatives. This report aims to detail the high-level business and service models that are adopted by successful ISSPs/traditional outsourcers, and to confirm that the Impact Sourcing model can be replicated. Previous learnings and market best practice should be followed, which will in turn allow Impact Sourcing opportunities to grow quickly.

CHALLENGE: Impact Sourcing needs regulatory and monitoring frameworks

As with any established industry, proper monitoring or regulatory bodies are required to supervise fair play, employ equitable standards, and prevent the exploitation of its players, particularly the employees. Impact Sourcing is differentiated from traditional outsourcing because of its social impact. To compromise this unique characteristic and bring it under scrutiny would be catastrophic for the industry, as the core value and basis for the initiative would no longer hold. Because of this,

and since Impact Sourcing is here to stay, appropriate governing bodies need to be established or adapted to monitor pay, conditions, competition and uphold the objective of Impact Sourcing: to provide a means of alleviating poverty for disadvantaged populations by supplying outsourcing opportunities to individuals that might not otherwise be employed by this sector.

CHALLENGE: Impact Sourcing has barriers that need to be addressed

There are two broad categories that have the potential to drive barriers to entry within the Impact Sourcing market:

• The large number of stakeholders within the industry each having their own agenda and objectives – e.g., certain government policies could impose uniform restrictions to disincentivize non-domestic companies setting up within a country in an effort to preserve local jobs, when in fact the intentions of an ISSP/traditional outsourcer as a non-domestic organization could be to increase domestic employment.

• Disadvantaged areas often present additional challenges which are classified as barriers to entry for an ISSP/traditional outsourcer – e.g., safety and security barriers and infrastructure barriers. An ISSP/traditional outsourcer and all of the additional players involved in any Impact Sourcing initiative need to be aware of the barriers to entry inherent in Impact Sourcing and seek ways to collaborate and establish shared goals to alleviate these challenges.

KEY RECOMMENDATIONS

This feasibility study lays the ground work for a compelling value proposition, sustainable business models and a recommended service model. In order to move this initiative forward and for it to gain momentum and become a vital part of the outsourcing world, a number of actions need to be taken.

Eight Priority Areas for Focus in the Coming 2–3 Years

1. Increase awareness of Impact Sourcing

a. Engage with professional organizations, such as the International Association of Outsourcing Professionals, to continue the dialogue on Impact Sourcing, and leverage these forums as a way to communicate the value proposition — share learning's and publish findings.

b. Engage with and educate the existing outsourcing advisory organizations about Impact Sourcing as a type of outsourcing to be discussed with their clients. If clients know about this type of offering, some of them will demand this type of capability from their providers.

Implementer: Philanthropic organizations, ISSPs, traditional outsourcers

2. Seek to scale Impact Sourcing

a. Leverage partnerships with large scale traditional outsourcers who have access to the contracts of large corporations and could endorse moving a portion of their outsourcing work to an Impact Sourcing initiative.

b. Focus Impact Sourcing operations in locations that have an established outsourcing sector. Although this is by no means a requirement for Impact Sourcing to exist, this paper identifies it as a catalyst to scaling Impact Sourcing initiatives.

c. Recognize and promote Impact Sourcing as a sound outsourcing business opportunity in response to a client's cost or expansion pressures. Impact Sourcing should be recognized as more than a CSR initiative; CSR benefits should be a positive by–product of the initiative.

Implementer: Philanthropic organizations, ISSPs, traditional outsourcers

3. Traditional Outsourcers to increase Impact Sourcing initiatives.

Impact Sourcing is a relatively new field, but is even newer to traditional outsourcers. Impact Sourcing initiatives are being demanded by global clients and offer huge rewards for all ecosystem players. They therefore have the potential to be a competitive offering for any traditional outsourcer. To increase Impact Sourcing initiatives, traditional outsourcers should look to:

• Educate themselves on Impact Sourcing

• Formulate an Impact Sourcing strategy

• Hold discussions with existing key clients about possible partnerships

• Hold discussions with NGOs and other players to develop an Impact Sourcing ecosystem

• Identify potential locations and targeted disadvantaged populations

• Select and mobilize projects

Implementer: Traditional outsourcers

4. Recognize the on-shore and off-shore opportunities that exist.

Continue to frame Impact Sourcing as a potential opportunity for both on-shore and off-shore managed services. Different organizations and governments may be interested in supporting different models and this allows Impact Sourcing owners to have a larger positive impact on disadvantaged communities globally, both on-shore and off-shore.

Implementer: ISSPs, traditional outsourcers

5. Establish credible governance structures.

To preserve the credibility of Impact Sourcing and ensure its core messages are not compromised, establish a proper and impartial governance body for Impact Sourcing which addresses issues such as the pay and working conditions of employees and upholding fair play and competition. This could also be established by partnering with an existing organization that monitors working conditions across companies, globally.

Implementer: Philanthropic organizations, professional societies

6. Expand the definition of Impact Sourcing.

Consider expanding the definition of Impact Sourcing to include any uniquely disadvantaged employees at any organization (rather than only focusing on outsourcing). Many organizations are interested in employing the uniquely disadvantaged, especially if they are able to leverage existing, successful training programs for these populations in a given location.

Implementer: Philanthropic organizations and other key stakeholders

7. Promote and support Impact Sourcing initiatives.

Assist the growth of the Impact Sourcing field by supporting preferably large scale, high impact Impact Sourcing initiatives. Confirm Impact Sourcing pilots have the necessary support and backing from all players within the ecosystem.

Implementer: Philanthropic organizations and other key stakeholders

8. Test Impact Sourcing initiatives.

Impact Sourcing can be supported and tested through varying initiatives offering different degrees of involvement, investment and impact. The following pilot options give guidance on how Impact Sourcing initiatives can be executed, and the organizations that can assist in implementing each one (see Table 4).

Table 4. Pilot Options

	Pilot Light	Pilot Partial	Pilot Full
Objective	Test Impact Sourcing balanced scorecard on existing client project at existing outsourcing center. Publish output widely.	Utilize an existing outsourcing center to execute a new or existing contract for a client, using talent from disadvantaged communities.	Establish a new outsourcing center offering Impact Sourcing services to execute a new or existing contract for a client.
Output	• Impact Sourcing initiative promoted to wider audience and impact measured • Standard measuring techniques produced	• Execute full Impact Sourcing offering • New Impact Sourcing initiative pursued	• Execute full Impact Sourcing offering • New Impact Sourcing initiative pursued and new center established
Type of Work	• Any existing Impact Sourcing initiative	• New or existing AO/IO/BPO contract	• New or existing AO/IO/BPO contract
Level of preparation & execution effort	**Low** • Resource effort required to establish scorecard and tailor to specific project • May require effort and input from NGO partners • Execution effort relatively low (monitoring effort)	**Medium** • Identify suitable existing delivery center and target employees • Identify suitable client, project and Ecosystem partners • Employ resources • Establish appropriate training • Ramp up effort • Ongoing monitor effort	**High** Identify suitable location for delivery center and target employees • Identify suitable client, project and Ecosystem partners • Set up operations – equipment, facilities • Employ resources • Establish appropriate training • Ramp up effort • Ongoing monitor effort
Level of Investment	**Low** • Requires resource effort only, likely part time	**Medium** • Resource costs and investments high • Capital, infrastructure investment costs low	**High** • Resource costs high • Capital, infrastructure investment costs high
Implementers	Philanthropic organizations	Traditional outsourcers	Traditional outsourcers, ISSPs

CONCLUSION

We started this paper by identifying the issue of an increasingly unstable economy and a high population growth rate giving rise to high unemployment and potential for social instability across the globe. In parallel, outsourcing as an industry continues to grow and shows no sign of alleviating. Because of this, one answer to the issue could be Impact Sourcing.

This study has found that demand for Impact Sourcing services exists today; it is an industry that needs to be utilized. To make full use of this industry, all Impact Sourcing players (for example, ISSPs, governments, NGOs) need to be aware of the optimum set up of Impact Sourcing initiatives for them to thrive and scale. This paper has sought to be a point of reference for that optimum set up.

One

From a demand perspective, cost, quality and risk will continue to be the main factors for a company when choosing an Impact Sourcing initiative. ISSPs and traditional outsourcers with an Impact Sourcing offering should therefore ensure that their value proposition to clients is founded on low cost, high quality and low risk principles. Although the CSR benefits of Impact Sourcing are huge for a company, this should almost be treated as a positive by-product of an initiative.

Two

In terms of supply, outsourcing does not solely rely on post-secondary education, therefore employment opportunities for Impact Sourcing are vast. Many of the skills needed within Impact Sourcing initiatives could be met by employees with only a secondary level of education. Whilst investigating the current Impact Sourcing initiatives for this study, it was noted that employees did not necessarily require a tertiary education, and that as long as the appropriate training was given, those individuals with only secondary education could still execute a range of outsourcing activities beyond the very basic tasks.

Three

When assessing implementation techniques for Impact Sourcing, NGOs, donor organizations and academia can be leveraged to solve and respond to issues around talent and training. It is recognized that additional training, beyond usual outsourcing product or process training, is required for Impact Sourcing, particularly around soft skills such as those required to work in a professional environment. As integral members of the Impact Sourcing Ecosystem, NGOs, donor organizations and academia need to be utilized to assist in the shortfall of these skills.

Defining the targeted "uniquely disadvantaged", working collaboratively with the multiple players of Impact Sourcing, and recognizing the broad spectrum of services that can be offered, will help to enable the success of any Impact Sourcing initiative.

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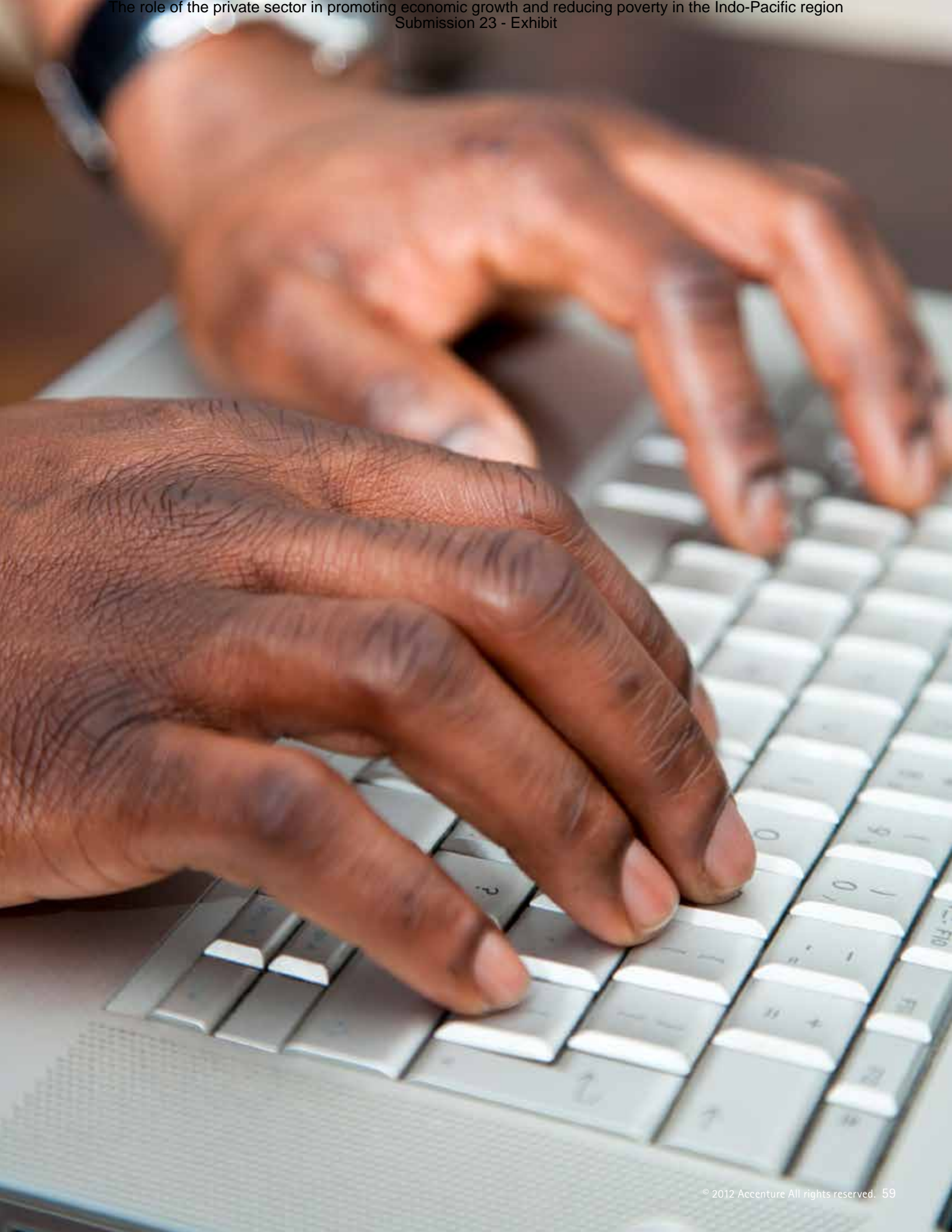Marshal Luusa
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