Getting impact sourcing right

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Get Impact Sourcing Right

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Impact Sourcing is becoming one of the latest trends in the sourcing industry. Broadly, it refers to the practice of taking digitally-enabled outsourcing jobs to marginalized individuals. The practice is expected to create a significant positive ‘impact’ (hence the term ‘impact sourcing’) on the lives of disadvantaged and deprived communities by giving them gainful employment and thereby improving their material conditions. However, the impact sourcing business model is not only about charity and social value creation. It is also a delivery model that can provide traditional business process outsourcing (BPO) services at significantly lower costs and with lower employee attrition rates. The Rockefeller Foundation, through its ‘Poverty Reduction through Information and Digital Employment’ (PRIDE) program, has been one of the strongest advocates of impact sourcing. The Foundation is supporting the testing of impact sourcing business models and trying to build a cohesive global network of stakeholders.

According to a recent report by the Everest Group (2014), the impact sourcing market is growing faster (~11% y-o-y) than the overall BPO market. It currently employs around 240,000 people globally with India, Philippines and South Africa contributing close to 90% of this workforce. Companies using impact sourcing include large global MNCs (e.g., Microsoft), traditional BPOs (e.g., Infosys) and focused impact sourcing service providers (e.g., Digital Divide Data). In this article, we attempt to develop a framework that can help managers better understand the
various options for impact sourcing, depending on the particular characteristics of their project and the current capabilities of impact sourcing providers.

We put forward two dimensions that nearly any impact sourcing project is likely to face: (i) the nature of expertise needed, i.e. unique, specialised versus generic expertise and (ii) whether the impact sourcing setting needs to be co-located or globally distributed. We use four cases to illustrate four different impact sourcing settings and their implication for the initial and on-going investment in infrastructure and human resources.

**Impact Sourcing: Drivers and Effects**

Companies (both on the supply and demand side) are turning to impact sourcing workers for two broad sets of reasons. First, there is the ethical argument. Companies and entrepreneurs are under ever increasing pressure to showcase their commitment to socially responsible initiatives. There is much cynicism about CSR initiatives and in many cases they are viewed as mere acts of tokenism without a strong underlying commitment to creating social value. In the face of such criticism, the information technology (IT) – business process management (BPM) industry believes that the impact sourcing business model presents a good opportunity to truly serve marginalized communities at the bottom of the pyramid.

Second, there are the economic drivers. Impact Sourcing promises to deliver significant business benefits for the BPO industry. These include significant cost savings and reliable performance. Impact Sourcing employees are also seen as better engaged with their tasks and less likely to leave their companies. Our own research conducted with impact sourcing vendors based out of India, China and USA suggests that attrition rates of impact sourcing workers are 50% lower than traditional BPO
employees. Further, growing domestic demand in certain emerging market industries (e.g., telecom and e-commerce in India) is compelling companies to utilize impact sourcing wherein they get to access low-cost manpower possessing better local language skills.

A growing body of anecdotal and scholarly evidence suggests that impact sourcing is having a tangible, positive impact on the life of marginalized communities. The experience of DDD in Cambodia and Kenya, Rural Shores and B2R Services in India, Aegis in South Africa and Samasource in Kenya provide good illustrations. Beneficiaries have credited impact sourcing for their new found financial independence, confidence and overall sense of well-being (Sandeep and Ravishankar, 2015). The business benefits are evident as well. For example, the Everest Group (2014) has calculated that over a three year period the cost incurred on entry-level impact sourcing workers for non-voice transactional BPO services in Kenya was 14-16% lower than the cost of employing traditional workers. The same report notes similar impressive cost arbitrage figures for impact sourcing in countries like India, USA, Philippines, South Africa, Ghana and Egypt.

**Impact Sourcing: An implementation framework**

Given its growing promise, many managers are now considering implementing an impact sourcing strategy. The enthusiasm for impact sourcing however obscures several key issues managers must consider prior to implementation. Drawing on primary research conducted at a range of stakeholders including impact sourcing providers, traditional BPOs and client companies, we offer a framework that helps managers consider different strategic options and their implications for initial
and on-going investment in infrastructure and people. At the heart of our framework
are two dimensions that client firms should consider:

(1) The kind of expertise they are looking to access through the impact sourcing
strategy, and;

(2) Constraints and preferences regarding location.

Based on these dimensions we propose the following framework.

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<th>Generic expertise</th>
<th>Globally distributed teams</th>
<th>Co-located teams</th>
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An Impact Sourcing Implementation Framework

**Setting I: Data Processing Service (Task Impact)**

Cloud Factory is an impact sourcing service provider operating through a
business process as a service (BPaaS) business model. It employs a 2,800 member
workforce in Nepal and Kenya and undertakes high-volume data intensive work. Each
employee is an independent contractor supplying their own computer and internet
connection. However, this crowdsourcing-like model also follows a team-based
structure and the company invests significantly in the overall development of the
impact sourcing workers. They are organized into five-member teams managed by a
team leader, who reports to a manager. Each manager looks after approximately 20
teams and reports to a senior manager who holds responsibility for around 100 teams.
Cloud Factory workers process 1.5 million tasks every day. The work they do for
Cloud Factory is the main source of income for these individuals, who are typically educated up to graduate level. Cloud Factory’s expertise lies in breaking up a typical workflow into small micro-units, which are then performed by its distributed, but carefully managed workforce. The company uses a proprietary cloud work platform which gives clients real-time task performance data. For a typical project, this model offers cost savings of about 30% over a co-located BPO model. Cloud Factory currently offers different types of data processing services including text, audio, video and web.

**Setting II: Large Scale Digitization (Process Impact)**

Digital Divide Data (DDD), an established Impact Sourcing company with operations in Kenya, Laos and Cambodia, uses docWorks - the workflow software from Content Conversion Specialists (CCS) – in its large digitization projects (millions of pages) for libraries in the Netherlands, Australia, Singapore, UK and USA. docWorks is used in two ways:

1. The client ships images on hard drives to DDD's production offices in Cambodia, Laos and Kenya. DDD processes the images with a docWorks instance in the local data center and ships hard drives with the output data back to the client.
2. DDD operators use the docWorks software by remote terminal sessions to docWorks installed in the client's own data centre.

The second method is generally more prevalent because images are too large to easily FTP and hard drives are still shipped back and forth.

In an ongoing collaborative project between a start-up technology company and a prominent Ivy league university, DDD downloaded images from Amazon S3 storage,
used a docWorks installation in CCS’s Hamburg data center to process the images using operators at CCS’s Romania offices and at DDD’s Phnom Penh offices, and returned the data to the clients on Amazon S3 storage.

Another recent example is the British Library’s newspaper digitization project. In a public-private partnership the British Library contracted with the Scottish company Brightsolid to digitize 40,000,000 pages of its 750,000,000 page newspaper collection. Brightsolid built a scanning center in the British Library’s London offices in Colindale, scanned newspapers to local storage, copied the newspaper images from local storage to its data center in Dundee, Scotland, processed them with docWorks software, and put them online at http://www.britishnewspaperarchive.co.uk. DDD’s part in this project was providing operators for the docWorks software via remote terminal sessions to Laos and Cambodia.

**Setting III: Transcription services**

Lifewood is a Chinese impact sourcing company which employs teenagers from rural China, to transcribe hand written documents in English and 22 other languages such as old German, old Portuguese, Arabic and Hebrew. None of the operators have any knowledge of these languages nor are they skilled in operating a computer. Lifewood set-up this impact sourcing operation in a co-located manner in Dongguan and Wuxi, two locations that benefit from a reliable internet and road infrastructure, and good access by public transport. Operators recruited by Lifewood receive extensive training that allows them to improve their performance in terms of keying speed and accuracy. The operators are also trained on a workflow model that allows them to successfully complete the task. The workflow software was developed by the company as a proprietary software and is constantly updated based on the
experience and learning gained at the BPO centre. Much of these improvements are captured through evening feedback sessions that managers hold with operators. Operators reflect on their use of the workflow and provide ideas to improve the transcribing process. Performance is assessed based on both individual and team effort. Individuals are compensated based on the number of keying performed minus the mistakes made. At the same time, teams that achieve the highest number of keying receive a recognition or compensation. While operators spend weeks and months transcribing in a certain language, they do not gain knowledge of the language. Instead, the best operators are given career opportunities within the BPO centre. Many of the operators stay with Lifewood for 2-3 years during which they manage to save sufficient amount of money to allow them to pursue higher education or continue their professional life elsewhere.

**Setting IV: Finance and Accounting Centre (Collaborative Process Impact)**

DDD set up a new operation, called Liberty Source, in Virginia in the United States in 2014. The basic idea is to provide employment to skilled Americans who would otherwise struggle to find relevant work for them to do - in this case because they are spouses of US service personnel, who generally have to follow their partners around and are often located in bases in difficult locations.

There are over 750,000 military spouses in the US, many of them highly skilled but either unemployed (the rate is three times the national average) or under-employed (90% of those with work say that they are not harnessing their skills or qualifications). Liberty Source has been set up as Public Benefit Corporation and has committed to the State of Virginia to provide 596 jobs in the next five years. The delivery centre is located in Fort Monroe, a decommissioned US Army base, and they have already taken on 100 people with a target of 200 by the end of 2015. The value
of Liberty Source lies within the people they employ - it’s embedded in the human capital. Clients, they say, want onshore resources that are able to be quickly trained and able to deal with relatively complex and variable business processes. Clients recognise the value of communication and cultural awareness as well as the regulatory compliance and data privacy benefits of keeping data onshore. For their first client, AOL, Liberty Source provides a range of finance and accounting processes.

The benefits of the Liberty Source model also present them with their biggest challenges. In the US there hasn’t been a domestic BPO market for a long time - everything has been sent offshore. This has meant that finding people with experience of managing third party relationships has been difficult. The culture of delivering services as a team to large organizations with big brands simply doesn’t exist domestically - many of the workforce have been used to working in, for example, doctors’ offices in teams of two or three. Another challenge has been with the technology - most have never worked on ERP systems for example. But because of the willingness and ability to learn quickly, combined with on-the-job training and a client able to provide close support, these challenges have largely been met very well.

Liberty Source are now even looking to build virtual teams to allow people to work from home to give them greater flexibility. This works particularly well for those with post-traumatic stress, who Liberty Source are also supporting with jobs. Technology will play a large part in supporting this move - everything is currently on the cloud (using Microsoft 365 and Citrix) - and specific training modules will be developed for the remote workers. Technology is also being exploited to support the overall governance processes, in measuring SLAs and presenting dashboards.
The impact sourcing provider’s perspective

From our case studies we can see that there are three key drivers that will determine the delivery model for an impact sourcing service. By considering the following three questions, an impact sourcing provider is able to determine the model that will optimise the delivery of the services; ultimately to the end-customer but indirectly through being able to provide the most appropriate and relevant environment for the workers, which is clearly a key objective for Impact Sourcing providers.

**Does the nature of the service require on-going specialisation?** Specialist processes, i.e. those that are unique or specific to that particular business (e.g. mortgage processing) will tend to require specialist training, both to set up the service and in its ongoing operation. This would suggest a co-located service where supporting resources can be centralized, whereas a service that provides general, non-specialised services is much easier to disperse.

**How dependent is the service on process workflow?** A set of processes that requires a high degree of management lend itself to a co-located delivery model, chiefly due to the number of process interactions and the level of workflow control that is required. These processes will generally require technology systems to help manage them, which, without a robust internet infrastructure, work best when centralized. Where internet connectivity is reliable, workflow tools can be delivered over the cloud, opening up the possibility of a dispersed workforce.

**Can and should performance be measured at the level of the individual?** The type of work being carried out will also determine the most appropriate level at which throughput should be measured: if the work needs to be measured at an individual level (because, for example, the work is processed in distinct packages and each
package needs quality checking) then impact workers need not be organized into teams and brought into delivery centers. Where the throughput is measured at a team-level (generally for more complex processes that require a number of different skills to complete) then delivery centers (either co-located or globally distributed) may be more appropriate.

Of course, with Impact Sourcing, there are other, arguably more important, considerations to accommodate, specifically around the well-being of the workers themselves:

**Travel:** In remote and/or rural environments, the over-riding factor may be the ability of the workers to easily get to a central office. And, as we have seen in the Liberty Source case study, the high mobility of the military workers means that the Impact Sourcing provider is effectively coming to where the workers are (in and around military bases).

**Education:** As well as providing much-needed employment, a number of Impact Sourcing firms provide education to their workers, usually after working hours. For face-to-face classes, this obviously favours a co-located service, but online tuition could allow a similar result through a dispersed model.

**Community:** Another benefit that Impact Sourcing can bring is in the development of stronger communities. Similar arguments to the provision of education can apply here, although community development will be much more dependent on face-to-face interaction, particularly if one of the objectives is for sharing of skills between the workers themselves.
Conclusion

The Impact Sourcing implementation framework proposed here is, to our knowledge, the first effort to offer a set of strategic choices to managers leading impact sourcing projects. We developed the framework based on 4 Impact Sourcing case studies that demonstrate the importance of the physical setting, i.e. co-located versus globally distributed. The choice of the physical setting is likely to affect the nature and the delivery of personnel development, operations and assessment.

As Impact Sourcing is in its infancy, we expect to see further development of this initial strategic framework. Additional aspects concerning Impact Sourcing need to be addressed such as the refining of the Impact Sourcing setting per outsourced function and the effect of crowdsourcing on Impact Sourcing.