



Human Development – At What Cost?



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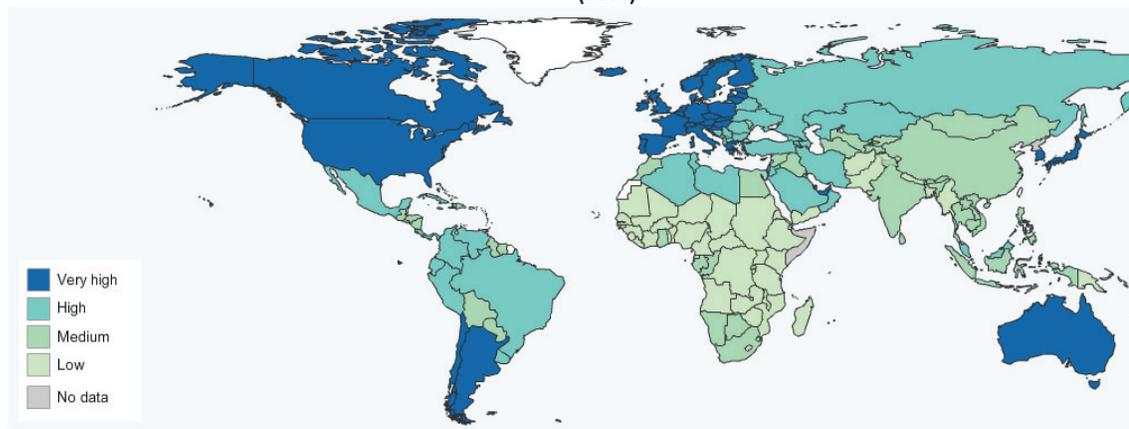
Last month’s newsletter contained an interesting article by Robert Clarke, founder & CEO of Ecodesk entitled, "Fighting the 'Dirty Cloud': Responsible Tech Firms Hit by Cloud and Supply Chain Confusion." The article talked about cloud computing and the impact it has made on companies’ carbon emissions, ranking individual firms involved with cloud computing by their carbon emissions. Carbon emissions are a key component of sustainability and reducing the output is of interest to all global citizens. I recently read a fascinating article that takes this concept to the global level.

There is a ranking known as The Human Development Index (HDI) which is used to rank countries by level of "human development" and separate "very high human development", "high human development", "medium human development", and "low human development" countries. HDI measures life expectancy, literacy, education and standards of living for countries worldwide. It is a standard means of measuring well-being, especially child welfare.

The origins of the HDI are found in the annual Human Development Reports of the United Nations Development Program (UNDP). These reports were devised and launched by Pakistani economist Mahbub ul Haq in 1990 and had the explicit purpose "to shift the focus of development economics from national income accounting to people centered policies."

Using these measurements, the following map should come as no surprise:

HDI: Human Development Index (HDI) value (2011)



There is a very interesting interactive map that further delves into the HDI at <http://humandevlopment.weaintplastic.com/>

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Impact Sourcing: Transforming Global Sourcing into a Socio-Economic Endeavor



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Impact Sourcing, a new concept in the sourcing world revolves around the premise of creating social impact through the economic lever of Global Sourcing. The concept focuses on employment generation within the poorer and less educated sections of the society by providing access to job opportunities such as data management, content editing and low-end transcription. By connecting latent demand for such tasks from large global companies to an untapped pool of labor at the bottom of the pyramid, Impact Sourcing has the potential to change the socio-economic landscape in underdeveloped regions of the world.

The BPO sector has proven to be a huge source for employment generation with a multiplier effect in the surrounding economy of 4 to 5 times. It has transformed whole countries, as is prominently visible in the booming industries in India, Philippines and China. Besides providing an upwardly mobile path to non-engineering and non-management graduates, this industry also acts as a catalyst in globalizing heretofore remote regions that are now connected through a digital process-driven chain to clients and consumers in other parts of the world. The accompanied rise in buying power and consumption patterns act as a stimulus to the entire economy. Recognizing the BPO sector's potential for job creation, both public and private sector firms are diversifying into lower income regions to provide employment and income sources for people with traditionally lower levels of education and language literacy. Traditionally most BPO employees have had college education, however, as the industry has matured and due to increased pressure on the qualified labor pool, the employment threshold is being expanded to include high school graduates as well. Owing to enhanced training techniques, innovative delivery tools and improved process efficiencies, even a less qualified labor pool in far flung locations in Africa as well as rural India can be as effective as their more qualified counterparts in big cities. This model has been embraced by private sector organizations such as SamaSource and Digital Divide Data as well as donor organizations like World Bank and Rockefeller Foundation. By removing the stigma of outsourcing and simultaneously providing a social benefit, Impact Sourcing has developed a win-win formula for a sustainable and socially responsible business practice.

The genesis of Impact Sourcing lies in several technology and business model evolutions that have occurred over the last few decades. Akin to the Electronics industry that modularized and standardized in order to disaggregate its supply chain, Crowd Sourcing and now Impact Sourcing sectors have de-skilled and dis-integrated the services chain so that even higher end projects can be broken down into low-end tasks, which could be farmed to any part of the world. Right skilling of work and trainable tasks have enabled development of targeted skills based training to increase the employable population. Socially minded service providers are playing a key role of evangelizing the socio-economic benefit of this model within the buyer community and providing innovative solutions to ensure that these rural-sourced BPO services meet the quality criteria of even the most discerning buyers.

Corporations and governments around the world are beginning to realize the huge potential of this outsourcing market and have boosted investments in this sector. In Africa, for instance, the official Development Assistance has increased from USD 15 Billion in 2000 to about USD 50 Billion in 2011. A lot of the developmental funds are being spent in improving infrastructure and educational facilities on the continent. This has provided a solid foundation for building an Impact Sourcing program. Organizations such as Rockefeller Foundation are playing a significant role in development of this sub-sector. Working together with private sector partners and various entities in the ecosystem, they have evangelized the model of generating employment in underprivileged sections of the society through Impact Sourcing.

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Organizations such as Samasource, which act as intermediaries that market and sell Impact Sourcing services to global clients, have received grants to enhance the impact sourcing sector in Africa. Samasource has pioneered the ability to manage “microwork” in a sort of virtual assembly line that spans 1,600 workers across Haiti, India, Kenya, Pakistan, Uganda and South Africa — some of them living in refugee camps. Digital Divide Data, another BPO firm with an emphasis on social impact, has been operating out of locations in Cambodia and Vietnam and recently received funds from the Rockefeller foundation to begin operations in Kenya. They would be training and employing 300 youths from Kenya’s slums in the BPO sector. Their approach is to provide longer term education and concomitant employment.

But what is the nature of outsourcing functions that Impact Sourcing can tackle, given its model of hiring the less educated in the remotest corners of the earth? Well, it turns out that with the profusion of Zettabytes of data, there is an increasing need to cleanse, manage and make sense of this digital information. Ever expanding digital content and the need to manage information on the internet has created a huge demand for tasks such as digitization, data mining & managing content of social networking sites. Given the right tools and processes, these tasks could be outsourced to a distributed workforce. These projects can be broken down into micro-tasks which can be assigned to trained workers anywhere in the world, provided they have a desktop and connectivity. Simple data driven tasks such as changing locations on Google maps as per changed addresses, tagging images, creating digital e-cards etc. have created an emerging opportunity and a lucrative avenue to train and hire people with limited education or work experience. As per a recent survey conducted by Avasant on the behalf of the Rockefeller foundation, it was found that almost all BPOs operating in the African region provide digitization as a key service. And these same firms employ between 40 to 80% of their agents from the underprivileged sections of the society. Not only does this make economic sense, it also has a huge social impact on these communities. This transformation of the global sourcing ecosystem is a testimonial of the fast emerging field of Impact Sourcing.

In Ghana, for instance, out of the 2500 odd seats in the BPO sector, almost 30% can be classified as Impact Sourcing seats. In India, the Impact Sourcing sector has seen a lot of traction in the last few years with many main-stream BPOs like Aegis, Infosys, Wipro & Genpact making a foray into tier III cities as well as rural locations. A number of pure play Rural BPOs like Rural Shores, Harva, eGramIT and Village BPO have also sprung up in the last few years, serving a dual purpose of creating social impact and tackling escalating costs in the tier I cities. Rural BPO, though still at a nascent stage, has been able to transform thousands of lives and is estimated to employ about 5000 people in the rural areas of India. Government incentives as well as interventions from NGOs to provide training and funding to these organizations have been helping this sector to mitigate challenges of high training costs, poor connectivity & limited infrastructure.

With many countries in Africa aggressively adopting e-governance programs, there is a huge potential for outsourcing of Government digitization projects, which can be another catalyst for Impact Sourcing. The Government in these emerging regions can in-fact act as the anchor client for Impact Sourcing service providers. A majority of the service providers in the African Region, when asked about key enablers to growth, indicated that a concerted government effort to outsource eGovernance and digitization projects to local providers would be very important to sustain this sector.

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Every new sector comes with its own set of challenges. Impact Sourcing service providers have cited issues such as lack of initial demand or awareness in the buyer market as a key constraint. Difficulty in sourcing the right talent and long training periods are some of the other issues limiting the growth of this sector. To mitigate these challenges proactive governments have offered various incentives and some service providers have adopted unique approaches. A few state governments in India for instance, have been specifically promoting Rural BPO and have also created initial demand by outsourcing government work. Various incentive programs focusing on underdeveloped regions offer lucrative financial incentives for job creation and investment in such areas. Service providers have built custom training programs tailored to a stratum of the society with minimal education and work skills. They have developed sophisticated tools to manage a distributed workforce and build in redundant process and quality controls.

As per a recent study concluded by the Monitor group, it is estimated that the Impact Sourcing sector has a potential to grow to be a \$20 billion market by 2015, directly employing 780,000 socioeconomically disadvantaged individuals, thereby promoting a sustainable and socially relevant growth of the Global Sourcing industry.

It is also important to note that Impact Sourcing providers themselves adhere to a strict code of conduct.



Samasource, which lists companies like Facebook, Google and LinkedIn as its clients, performs strict quality checks when distributing work to other outsourcing firms. It requires that providers reinvest at least 40% of revenues in training, salaries, and community programs and that they hire workers who were earning less than \$3 a day. It is worth noting that these same workers generally more than double their prior income and on an average earn more than \$5 a day.

So as the Global Sourcing industry matures and the outcry against offshoring continues to escalate, Impact Sourcing could be that beacon that demonstrates a more holistic way of creating business value while also doing good. Through innovative use of Distributed application platforms, crowd-sourcing processes, low cost and virtualized infrastructure and targeted training techniques, Impact Sourcing is breaking new ground. It is engendering a global supply chain of talent and resources that can be leveraged anywhere and anytime. It is fostering a business model that is the classical win-win – it's a good business practice, it is socially responsible and it provides hitherto undiscovered efficiencies and cost savings in mundane tasks that were thought to be unsuitable for outsourcing. Impact Sourcing is enabling businesses to connect to an untapped pool of global talent to achieve increased flexibility, efficiencies and dynamic scalability at an affordable price. Smart governments, investment promotion bodies, service providers as well as buyers of outsourcing services will have a major role to play in the growth of this sector in the coming years.

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