Analysis of Impact Sourcing by Infusing Social Innovation in Outsourcing for Nepal

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Abstract. Outsourcing is a popular term in the business world for last several decades. Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO) have been dominating the outsourcing jobs to developing countries. Recently, a new shift of outsourcing to impact sourcing have emerged through which digitally-enabled jobs are given to marginalized individuals so that their conditions would be improved. However, only limited studies have been done to explore the recruiting process of marginalized communities and the impacts to the workers and their families.

Cloud Factory, as one of the pioneer impact sourcing service providers in Nepal, is targeted to conduct further research. Initial investigation has shown that flexibility to work from any place such as their own home or internet cafes on flexible hours have attracted college students to this impact sourcing model in Nepal. In the future, further analysis on improvement on employees' lives by impact sourcing will be conducted.

Keywords: Business processes outsourcing (BPO), impact sourcing, social enterprise, social innovation.

1 Introduction

The philosophy of 'social enterprise' and 'corporate social responsibility (CSR)' of organizations have been promoted in outsourcing and referred as 'impact sourcing'. This concept introduced a significant positive impact to the marginalized individuals of communities by providing them with gainful employments so that their living standard would be improved [1]. To promote this concept with an objective to improve the lives of the poor and vulnerable worldwide [2], Rockefeller Foundation, one of the biggest private charitable foundations, endorsed and supported 'impact sourcing' as they have similar goals in their initiatives like Poverty Reduction through Information and Digital Employment (PRIDE). Possible outcomes from impact sourcing have inspired this

foundation and have committed to support by providing funding to some African projects [3], such as $100 million to Digital Jobs Africa Initiatives. Since impact sourcing is relatively new concept, not much research has been done, except few researchers [1, 4-7] who mainly focused on the providers of impact sourcing. In this study, however, Cloud Factory in Nepal, is taken as a case study to examine the effect of impact sourcing. Our research goal is to analyze socio-economical profile of employees and the changes that impact sourcing model has made in their lives. Initially, we have analyzed the publicly available information. The current employment situation of the country is analyzed, where majority of youth strive to go foreign countries.

This paper continues by describing how the emergence of impact sourcing concept developed by exploring types of social value it creates and types of values it proposes to outsourcing clients. It is followed by critiques around impact sourcing and classified ISSPs as per their business goals, capital investment provider, and targeted marginalized communities. Conclusion is drawn with future research directions to evaluate the impacts in the communities.

2   Emergence of Impact Sourcing

Information Technology outsourcing (ITOs) and Business Processes Outsourcing (BPOs) are main two categories of outsourcing work. ITOs are focused on work related to information systems such as systems administration, database administration, mainframe, help desk, network management, website development, content development, data conversion etc. and BPOs are usually non-IT related work such as call centers, data entry, transcribing, HR administration, finance, accounting and so on [8]. Due to the greater advancement in technology and robust IT enabled services (ITES), BPOs have been one of the fastest growing sectors and has now spread to more countries in the world [9].

Impact sourcing distributes services offered by traditional BPOs plus social value creation to disadvantaged communities in developing countries by providing work and necessary training to marginalized individuals. However, massive growth of BPO to the country like India, has instigated some human resource challenges [10]. Most common challenges are: managing new generation of employees (college graduates), supply of skilled labor, retaining employees, job hopping etc. Alternative solution to this rising problem, in conjunction with possible social impacts to poor and vulnerable, the outsourcing moved to rural area of the country in some cases. Thus, a company called Ruralshores began in 2008, which expanded the concept of impact sourcing to rural, vulnerable and marginalized communities. It has been noticed that people in rural areas are more reliable [1] and do not necessarily face the same human resource challenges as urban areas. Level of skills is the main issue but when simple tasks are considered, people in rural area outperformed. Thus, impact sourcing claims to provide 'win-win strategy for both clients and communities [11].

The concept of impact sourcing has been gradually gaining popularity due to its practice of employing socioeconomically disadvantaged people, and thus creating social value in those communities [4, 6]. The concept and practice evolved as several

social enterprises got involved in ITOs and BPOs to reduce poverty by engaging, training and creating jobs for disadvantaged people [12]. Within the paradigm of impact sourcing, Sandeep and Ravishankar [4] investigated individual and organizational level social entrepreneurship and advocated that social innovation in outsourcing has emerged. The positive impacts to people in developing countries from ITOs and BPOs are re-iterated. For example, one of the impact sourcing service providers, Digital Divide Data (DDD) is operating from countries such as Cambodia, Laos and Kenya and provided work experience to several hundreds of disadvantaged young people from poor families in those countries. The company not only provides necessary training and education to make them ready to work in BPO, but also offers scholarship to enroll in university for upskilling in the process of reducing poverty in the region [12].

2.1 Critique of impact sourcing

Generally, one of the primary goals of for-profit organizations is to increase profit and decrease cost of operating the business. Outsourcing has been an effective strategy to save cost by contracting out services and activities [13 – 15] and to remain competitive in the market [16]. Malik et al. [11] reiterated that relationship between business and society is only economic and criticized the concept of impact sourcing as it emerged to save cost and reduce employee turnover symptom outsourcing company faced, rather than impacting marginalized individuals and communities. Some other researchers also criticized that CSR is used as marketing tool for public relations and as corporate mask to legitimate business activities [11]. It is further intensified by viewing the impact sourcing as 'exploitation' of people in marginalized communities of developing countries rather than creating social value. However, these critics ignore the challenges faced by organizations to take work to those communities such as lack of infrastructure, information security, data confidentiality and lower technical and other desired skills in those communities in rural areas.

3 Research Method

A literature review of related articles in impact sourcing is conducted to show how it emerged from traditional outsourcing domain. Criticism of impact sourcing has also been scrutinized. A case study of the company 'Cloud Factory' in Nepal has been initiated to examine the impacts to the impact workers. At this stage, publicly available information about the company is presented in this paper. In the future, however, thorough analysis of this company is planned by interviewing several employees, different managerial levels, including the founder. This study is planned to conduct a longitudinal study outlining the effect to impact workers' families and eventually to the societies.

4   Impact sourcing service providers (ISSPs)

Based on structures and intentions of ISSPs, Malik et al. [11] grouped and described the impact sourcing service providers into the four categories. They have also divided the 4 groups of ISSPs into 2 categories broadly first as shown in Table 1 below.

	Groups	ISSPs	Targeted individuals	Location / Country
Social IT Out-sourcing	Non-profit	Digital Divide Data (DDD)	Unemployed high school graduates	Cambodia, Laos, Kenya
		Samasource	Poor and disadvantaged	India, Kenya, Uganda, Ghana
		KGVK	Poor youth	India (Jharkhand)
	For-profit	Kudumbasree	Poor rural women	India (Kerala)
		Cloud Factory*	Poor and Unemployed people	Nepal and Kenya
Socio-commercial IT Out-sourcing	Socially responsible	Tata Rural	Poor and disadvantaged rural	India (Maharashtra)
		Wipro Rural	Poor and disadvantaged rural	India (Tamil Nadu)
	Dual-value	Ruralshores	Disadvantaged and disabled	India
		Harva	Rural women	India
		eGramIT	Rural youth	India (AndhraPradesh)

Table 1.   Groups of ISSPs with targeted individuals and locations (source: [7, 11]

- *Non-profit social outsourcing organizations* have primary objective to create social value and community development. They are funded by donations from both commercial and charity organizations. Profit and revenue generation are not the aim of these organizations but they pride themselves by giving opportunities and creating employment to disadvantaged individuals. DDD and Samasource are examples.
- *For-profit social outsourcing organizations* are driven by market opportunities to create social value but their focus is also to run as commercial companies. State government in Kerala, India supported an initiative, Kudambasbree which helps poor rural women to establish social ICT enterprises. *Cloud Factory is another company which is privately founded to help people in Nepal and Kenya.
- *Socially responsible outsourcing organizations* - are founded with the CSR view in mind by commercial outsourcing service providers. Although the motive is in social development in communities, they would also account for profit.
- *Dual value outsourcing organizations* - focus at setting up outsourcing centers in rural areas to stay competitive in the market, thus they have dual goals to create

business and social value. Initial investment for these organizations are provided usually by individual investor and hence needs to generate profit to sustain in the market. Ruralshores opened several rural BPO centers in remote villages in India to reduce the migration of rural people to urban areas. They trained and employed poor and disabled people in those areas, thus contributing to the local economy in villages by empowering local people through ICT trainings.

5   Impact sourcing in Nepal – Cloud Factory

Nepal is sandwiched in between two top countries, India and China, in terms of attracting the highest number of BPO services to. Although it is a small country, there is a big potential impact sourcing to change socio-economic status of rural communities and sustain local economic development. A significant number of Nepalese youth (2,226,152 between 2008/09 and 2013/14) goes to foreign countries such as Middle Eastern countries, Israel, Malaysia, Korea etc. for basic employment [17]. They are departing for foreign jobs because there is no employment available in the local areas for them.

Cloud Factory has been operating as a successful ISSP since 2012. This company is founded by Mark Sears as he was impressed by skills of local people in Nepal. Core focus of this company is not to make profit only but to grow the company and make social impact by giving more opportunities to talented people who will otherwise not have opportunities. Cloud Factory has so far employed 6,738 members of community in developing countries like Kenya and Nepal. Types of jobs carried on by Cloud Factory are; transcribing bills, restaurant menus, categorize images, tag images, face detection, virtual assistant training, ChaBot training etc. [18]. It has published that 59% of the employees are currently enrolled in college and working part time. 47% of its employees gained new management skills and 30% leadership skills. It has clearly demonstrated that majority of earnings (62%) is spent for their personal expenses and 22% were used to support their families. The most important figure is happy index. 92% of the employees agreed that they are happier because what they learnt there. The company is operating from the capital of the country, Kathmandu.

6   Conclusion and future direction

The new trend of impact sourcing in the space of outsourcing has been gradually evolving and creating social values to the disadvantaged communities. With the increased awareness of social responsibilities and inclusive business attitudes, businesses are more likely to use the service provided by impact sourcing service provider than traditional outsourcers. In the context of Nepal where growing youth departing the country to find basic employment in foreign countries, expanding impact sourcing to reach rural parts of the country is pragmatic. In the future, this study will be expanded to analyze and compare the 'before and after' condition of the employees. Lack of infrastructure and higher illiteracy rate are main challenges to implement impact sourcing in rural areas, but these issues can be reduced by partnering with NGOs, microfinances and

government bodies. We strongly believe and recommend that the concept of impact sourcing will be more effective in rural areas of Nepal to utilize skills of local rural youth and establishing impact sourcing organizations successfully.

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