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ISSN (Online): 2455-7838 SJIF Impact Factor (2016): 4.144

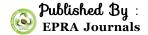
UGC Approved Journal No: 48844

EPRA International Journal of

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Monthly Peer Reviewed & Indexed International Online Journal

Volume:2, Issue:7, July 2017



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ISSN: 2455-7838(Online) **UGC Approved Journal No: 48844 EPRA International Journal of Research and Development (IJRD)**

Volume: 2 | Issue: 7 | July | 2017 SJIF Impact Factor: 4.144

EMERGENCE OF IMPACT SOURCING IN INDIA – INCENTIVES AND CHALLENGES

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ABSTRACT

Impact Sourcing is the new paradigm in the Human Resource field. It is a new way of recruiting people in your organisation while interweaving the social impact motive. This paper attempts to understand the concept of Impact Sourcing, incentives and challenges associated with it. The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Benefits of Impact Sourcing range from low cost, large & untapped pool, proven & reliable service delivery, stable & engaged workforce, low attrition, resource flexibility, reduction in risk, direct and indirect social impact and better brand image, CSR fulfillment. Challenges which are faced by the companies are like physical infrastructure bottlenecks, low job advancement opportunities, quality continuity, and competition from for-profit companies, security and language & skills availability. It is a strategy which touches both business and societal realm. There are lots of companies which have proved Impact Sourcing as a commercially viable outsourcing strategy. Outsourcing as an industry is seeing lots of changes. Impact sourcing, being one of them, is definitely making world a more equitable, better place.

KEYWORDS: Impact Sourcing, Business Process Outsourcing, Social Impact, Socially responsible outsourcing

INTRODUCTION

In today's borderless global world. outsourcing has become the order of the day. Thanks to the advent of internet and other related technologies, procuring the required human resource in the world for your work has become cost-effective and faster. According to the most recent World Development Report, which focused on digital technology and its potential for global development, the number of internet users has more than tripled since 2005, with an estimated 3.2 billion people using

the internet in 2015¹. (World Development Report). The Tier-1 cities are facing an upsurge of demand as a result of this digital revolution. As per the 2012 Strategic Review report by NASSCOM, the current global BPO spend is estimated to be at US\$153 billion. Currently only 27 percent (US\$41 billion) of this is offshored, creating a huge potential market yet to be tapped by the offshore BPO industry. However, majority of the companies using outsourcing as a business model find it increasingly becoming difficult to attain and retain employees. The supply of human

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resource is becoming more and more constrained as the majority of youth find common data entry jobs below their education and aspiration level. This brings us to the innovative socially responsible outsourcing or in other words, 'Impact Sourcing'.

'Impact Sourcing is commonly defined as employing people from poor and vulnerable communities (i.e. base of the pyramid (BoP) workers, youth workers, disabled workers) as principle employees in BPO centers to provide high-quality, information-based services and other microwork to domestic and international clients.'² It is essentially a strategy to include people from remote areas in the globalization process. It brings the fruits of rapidly increasing IT revolution to their doorsteps.

This paper attempts to explore the concept of outsourcing along with its challenges and incentives associated with the same. Following are the objectives, which the author wants to achieve in this paper.

LITERATURE REVIEW

The monitor Group (2011) defines Impact Sourcing as an outsourcing practice which focuses on creating employment for people who live at the people who live Bottom of Pyramid (BoP) which is the largest socio-economic marginalized group of 4 billion on less than 2\$ per day (Prahalad & Hart, 2002). Impact sourcing as a subject requires better definition which can be adopted by Governments and other organisations. Carmel and Lacity (2014) define Impact Sourcing as: 'a practice of hiring and training marginalized individuals to provide information technology, business process, or other digitally enabled services who normally would have few opportunities for good employment'. As we can see the emphasis on doing a socially responsible outsourcing, using Information technology and the related work which can be passed on to the outside agencies. Impact Sourcing is an emerging sub-field of global Information Technology (IT) and business Process Outsourcing (BPO) having its base in the concept of business and social development coexistence (Falck & Heblich, 2007; Porter & Kramer, 2011) 'Business process outsourcing (BPO)—focused on informational and transactional services—has become a renowned example of our increasingly interconnected world economy and has contributed to the growth of a number of emerging markets.'3 (Monitor Inclusive Markets, 2011)

The financial prospects of this industry has increased manifold in recent years. 'The market for "business process outsourcing" is estimated to be worth more than \$100 billion, with the market for impact sourcing estimated at \$4.5 billion (pdf, p.11). Most of the world's outsourced work is handled by college graduates in cities in India, China and the

Philippines. One reason impact sourcing has taken off is that outsourcing costs have risen sharply, so companies are looking to engage less-educated and more remote workers (because they are less expensive to hire).' (David Bornstein, 2011). 'Some studies have shown that investments in ICT infrastructure creates 1.4 to 3.6 indirect and induced jobs for every direct job created.' (World Bank ICT 2012).

OBJECTIVES

This paper attempts to fulfill following objectives:

- 1. Understand the concept of Impact Sourcing
- 2. Explore the incentives associated with the activity
- 3. Explore the challenges associated with the activity

RESEARCH METHODOLOGY

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigators procured the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

ANALYSIS

Impact Sourcing is a concept which is increasingly seen as a solution to lot many problems which our country specifically and world in general, is facing. Impact sourcing as a recruitment strategy is aimed at enabling people from remote backward regions to have a respectable permanent source of livelihood. This can have a long-term impact on the varied challenges which our society is facing. These societal groups which usually find it hard to get a regular respectable source of income, can be made key players in the process. These methods can unlock the economic opportunities for them and include them in the main flow. 'Impact sourcing is an inclusive employment practice through which companies in global supply chains intentionally hire and provide career development opportunities to people who otherwise have limited prospects for formal employment, to deliver business outcomes.'(Rockefeller foundation)

'Other industry players have even been working to rebrand "outsourcing" to the less controversial "impact sourcing," a term coined and promoted by Digital Divide Data (DDD), a non-profit social enterprise that offers outsourcing services in developing countries. Like many progressive outsourcers, DDD focuses its efforts on poverty

alleviation by attempting to provide access to decentpaying jobs and skills development for folks who might not otherwise be employed in the BPO sector. In a recent Huffington Post article, DDD co-founder Michael Chertok writes that, "while international aid for economic development often fails, business has the potential to bring millions of people out of poverty. For no enterprise is this more true than the unsung \$300 billion industry known as Business Process Outsourcing (BPO)." (Jeffrey Puritt, 2013)

In India also, prospects for Impact sourcing are very promising. According to an AVASANT study in September, 2012, there are approximately 251,000 people working in this industry. 'The total BPO industry in India employs approximately 1.2 million people. Of the 835,000 employees in international operations, approximately 77,000 can be classified as Impact Sourcing sector workers. Domestic market operations employ nearly 50 percent individuals who do not have a university degree approximately 168,000). In addition, the direct rural BPO/IS market is estimated to employ around 5,000 people.'5 (Avasant, 2012). The increasing need and importance of Impact sourcing in India brings a need of understanding what basic things it includes.

Concept of Impact Sourcing includes few basic things:

- 1) Outsourcing activity: Impact Sourcing, though also sometimes used for raw material sourcing, is majorly used for socially responsible human resource outsourcing.
- Location: Impact Sourcing is done usually at Tier-II cities. These are the regions having a number of educated youth unable to get longterm, profitable employment.
- Impact: This recruitment strategy is supposed to create impact at two levels- one at generating fruitful employment and second at family and societal level, where gains of these employments are distributed.

The companies which provide such employments are known as Impact Sourcing Service Providers (ISSPs). An Accenture study defines ISSP as 'An organization set up with the explicit intent to undertake outsourcing work that is classified as Impact Sourcing'. The work provided by these companies is usually in the form of 'online sourcing' or 'microwork' which is defined as 'Online, or virtual, outsourcing has emerged as a business practice of contracting a third-party provider (often in a distant country) to supply products or services that are delivered and paid via internet. Those virtually contracted suppliers can be individuals ("e-lancing"), online communities ("crowdsourcing"), or firms'. 'Microwork has been defined as a segment of online outsourcing where projects or complex tasks are broken into simple tasks that can be completed in seconds or minutes.'6 (Avasant, 2012).

There is a huge market for such work all over the world. 'In a study commissioned by the Rockefeller Foundation last year, Monitor Group estimated that the market for impact sourcing was \$4.5 billion in 2010 and would rise to \$20 billion by 2015. It also predicted that employment in the industry would grow from 144,000 to 780,000 over the same period.' Impact sourcing has also been shown to help companies absorb demand fluctuations, scale up production, support entry into new business markets, improve or achieve CSR and diversity objectives, and free up internal bandwidth for higher order work. In 2010, Impact Sourcing represented 4 percent of the market share of global BPO and ITO. According to Accenture Development Partnerships, it is expected to account for 11 percent of the global BPO and ITO markets by 2015 totaling \$65B. (Bulloch, G. and J. Long ,2012.)

The incentives which can be gained by the individuals, societies and the companies are as follows:

- Reduced cost One of the most important benefit which the companies receive from the Impact sourcing is undoubtly, the reduced cost for the outsourcing work. The basic incentive which the companies are looking for while getting engaged in Impact sourcing is to increase their profit margin while ensuring some social value creation.
- 2) Huge untapped talent source The second incentive is huge untapped talent resource available in rural and remote areas. Youth unemployment is the persistent issue which the countries like India are facing from a very long period of time. Impact sourcing can be the perfect panacea for addressing this problem. These youth are usually educated up to some basic level and are eager to work for decent job opportunities at lower wages as compared to urban cities youth.
- 3) Efficiency and Quality—The work quality is also very good and consistent as these youth and women from underprivileged are eager to get a respectable source of income and this gets reflected in their performance too.
- 4) Better employee engagement and loyalty-Majority of Impact sourcing companies benefit from dedication and good employee engagement experienced in these outsourcing activities. These employees have negligible job opportunities in their areas. They hail from very poor families which are usually occupied in agriculture and allied activities. These activities are usually seasonal and are a source of meagre wages. Hence, these people welcome any stable job opportunity which comes their way.

- 5) Less attrition- One major incentive which Impact sourcing companies get is less attrition numbers compared to urban BPO companies. The lack of job opportunities in the surrounding areas result in low attrition numbers compared to urban areas, which works in favour of the companies. NASSCOM Foundation, for example, found that attrition rates in rural areas of India are 2-3 percent compared to up to 35 percent in urban areas, according to its report "Next Generation Outsourcing."
- 6) Direct and indirect social impact The most important motive behind pursuing Impact sourcing is the trickle-down effect it creates in the rural, distant areas. Apart from direct employment creation and income generation, it also creates better standards of living, economic self-sufficiency, education and subsequent job opportunities, for immediate families and the connected rural societies. It is also expected to reduce rural-urban migration. "In India, NASSCOM estimates a multiplier effect of three to four indirect jobs for every direct job created in their BPO and ITES sectors." (Tholons 2011)
- 7) Better goodwill and brand awareness- In the current era of heightened social responsibility awareness, the buyer and the client companies definitely benefit from the goodwill and brand awareness created in this process.
- 8) CSR fulfillment Impact sourcing also provides the related companies a good way to ensure CSR compliance. Benefiting backward regions economically and subsequent job creation ensures fulfillment of social responsibilities of the corporates.
- 9) New avenues of recruitment opportunities-Impact sourcing opens up the new avenues of recruitment for the concerned companies. These sources were previously being neglected by the companies in the urban areas. Now, with provision of some basic computer training and work-related skills, they have access to new sources of talent.

As we can see from the above benefits, impact sourcing can create benefits for the society at multiple levels. It can create a positive atmosphere and in the long term can be a sustainable model for poverty eradication and other socio-economic maladies ailing our nation. Impact Sourcing can be win-win strategy for companies around the globe, creating market potential at unthought of destinations. Major companies involved in this work are Impact Hub, DDD, Cloud Factory and Samasource .These companies have shown that Impact Sourcing is a

feasible, practical strategy which is practical from a commercial point of view also. 'According to the TELUS International white paper, when a business helps improve the lives of its workers and their communities, it enables the business to improve its value for customers far beyond cost savings. Investing in people and communities actually improves the quality of the firm's products and the effectiveness of its services as their employees reward their employers with a higher degree of loyalty, engagement and productivity.'8(Jeffrey Puritt, 2013)

Examples of Indian companies involved in Impact Sourcing are increasing day-by-day. 'The forprofit company DesiCrew, which grew out of work done at the Indian Institute of Technology Madras, targets opportunities in India. So do the for-profits B2R Technologies, which focuses on India's northern hill country, and RuralShores, which hopes to establish 500 centers across India and connect them virtually so that they can execute increasingly larger projects for clients.'9(Microwork Solution) Vindhya-Einformedia, SAI SEVA are some of the other examples of Indian companies doing socially responsible outsourcing.

Businesses throughout the world must envelop the disadvantaged and underprivileged in their move towards prosperity. This basic strategic intent of inclusiveness will result in eradication of myriad socioeconomic issues like youth and rural unemployment, poverty, social unrest, regional inequality, urban congestion etc. 'A small but growing industry known as "impact sourcing" is addressing that need head-on by hiring people at the bottom of the pyramid to perform digital tasks such as transcribing audio files and editing product databases. Essentially, it's business process outsourcing aimed at development.'10(Microwork boosting economic solution)

These incentives are welcoming many companies to interweave Impact Sourcing in their strategic fabric. However, there are some challenges involved in the Impact Sourcing activity which the companies have to tackle. This paper attempts to explore some of these challenges.

- Physical infrastructure bottlenecks- One basic challenge which almost all the companies involved in Impact Sourcing face is lack of physical Infrastructure. The remote areas which are usually selected for the outsourcing activity are not equipped with good quality Internet bandwidth,
- 2) Low job advancement opportunities- Another hurdle which companies face that apart from low-level data entry and image tagging, they have nothing more to offer to the employees. Hence, after few years employees start feeling their career growth prospects are

limited and demotivation sets in. Companies need to address this issue in the beginning and set the expectations of the new recruits beforehand. They should also look for creating more job profiles for worthy employees.

- 3) Quality Consistency- Quality consistency poses as one more challenge for Impact Sourcing firms as they have to ensure quality output for their MNC clients. The work outsourced need to be up to the mark and must be completed in time.
- 4) Competition from for-profit companies-Other issue which is sometimes faced by few of the new companies is tough competition from urban companies working in the same field. These companies, with profit as a prime motive, pose as a threat as they have better physical infrastructure and connectivity.
- 5) Security- Security, poses as one more challenge for companies involved in Impact Sourcing. MNCs and big companies are usually very particular about data security and level of security maintained at the facility. The companies should make sure that facilities have physical infrastructure of international standards.
- 6) Language Skills Availability Another challenge stems from the location, which is usually a rural, remote areas have a problem acquiring employees with good language skills, which demands need for training in these areas.

CONCLUSION

The conclusion which can be derived from this paper is that incentives received from Impact Sourcing are definitely way more than the challenges arising in the process. The companies involved in the practice should ensure that objectives of profit and responsibility, are congruent complimentary to each other. Sourcing of local talent from rural areas makes business sense as they create myriad benefit for the involved stakeholders like low cost, reduced attrition, better employee engagement, loyalty, direct and indirect social impact, fulfilment of CSR requirements, creation of goodwill and brand image amongst the stakeholders, it also provides a new, untapped source of recruitment. Challenges in the process of Impact Sourcing range of physical infrastructure bottleneck, low job advancement opportunity, quality consistency, competition from for-profit companies, security, language skills availability. This shows that Impact Sourcing provides an avenue for the corporates to ensure access to talent pools, in various untapped communities where cost effectiveness can be coupled with immense drive and commitment by the employees. It can create a wonderful opportunity for the corporates to ensure positive social impact while following the profit motive.

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