



# The Business Case for Impact Sourcing

October 7, 2014

**Live Tweeting #impactsourcing**

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# Introductions

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# Context setting

## Focus of this webinar

- Present key findings from research on impact sourcing
- Share experiences on impact sourcing – why, how, learnings

## Everest Group research on impact sourcing

- Investor focused report
- Case studies
- Testimonials

## Sources of today's webinar

- Summary of research report
- Fact-based research covering
  - 60+ interviews
  - 20+ RFIs
  - 45+ survey responses

# Overview and definition of impact sourcing

Impact sourcing (IS) is a business process service delivery model that provides quality and cost at parity with traditional BPO services, but with optimized enhancements such as:

- A qualified, trained, untapped talent pool with skillsets aligned to match client needs,
- Lower attrition rates and higher corresponding levels of employee engagement, and
- Opportunities to fulfill corporate social responsibility and diversity objectives while operating within a traditional BPO framework

# Why should you care about impact sourcing?

## Creates business benefits

- Costs and performance comparable to traditional BPO
- Attrition rates 15-40% lower and stronger employee engagement
- Where applicable, provides greater access to local markets and culture which can enable business opportunity

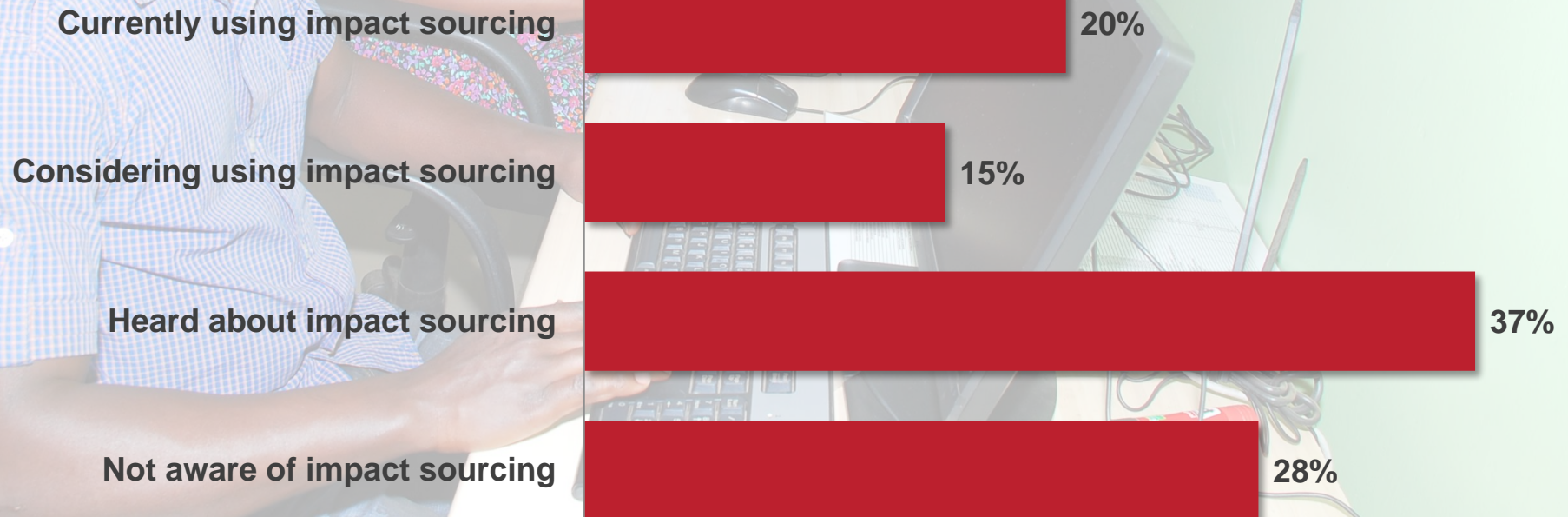
## Helps impact sourcing workers

- Who
  - Economically disadvantaged: low income areas, lack access to jobs
  - Socially disadvantaged: minorities, gender groups
  - Persons with disadvantageous life circumstances: disabled, health limits
- Results
  - Income increases 40-200%
  - 3-4 family members benefit
  - Communities strengthened

## Others are already successfully using impact sourcing

- **Leading ITO-BPO provider:** *“We have hired 2,500+ impact workers till date and attrition among these workers has been 20-35% lower than regular hires...”*
- **Buyer:** *“Our service has stayed the same or even improved”*

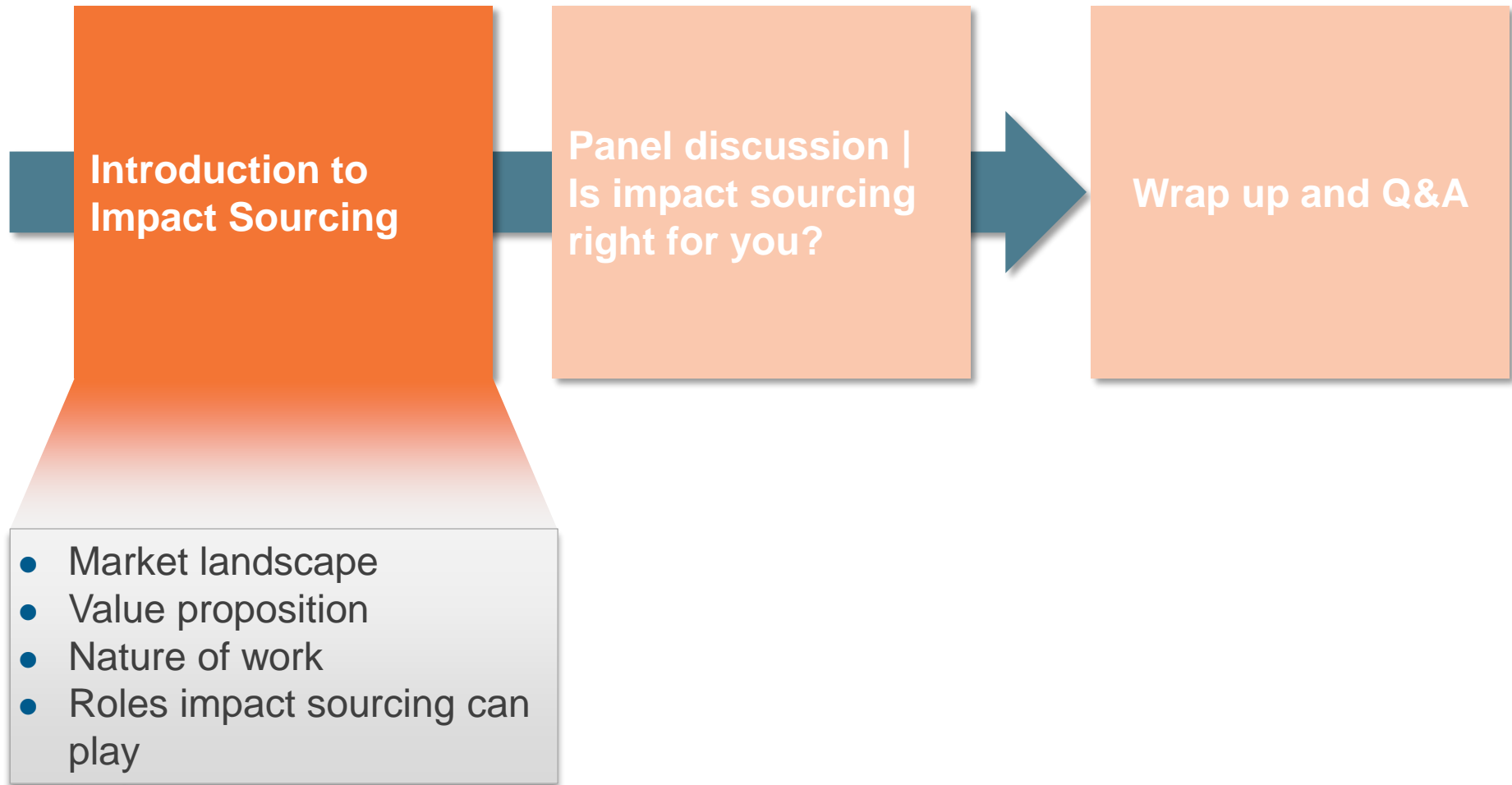
# What best describes your awareness level about impact sourcing?



Source: Live polling conducted during "The Business Case for Impact Sourcing" webinar on October 7, 2014

# Presentation topics

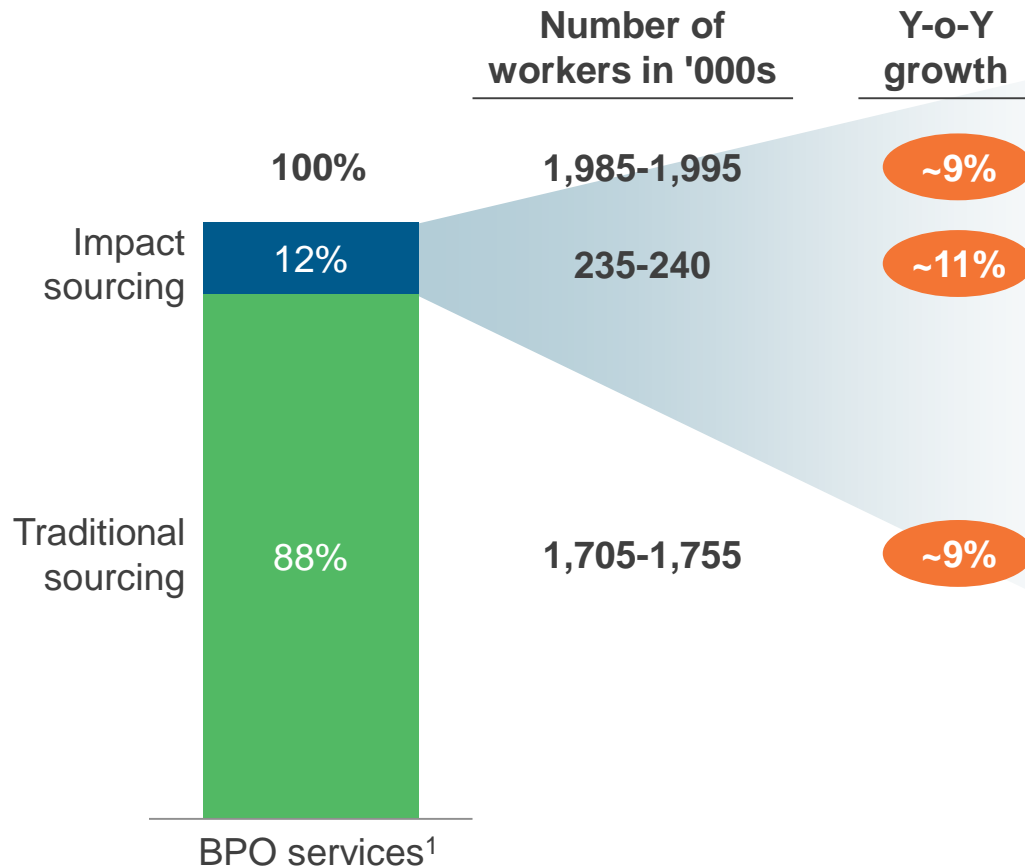
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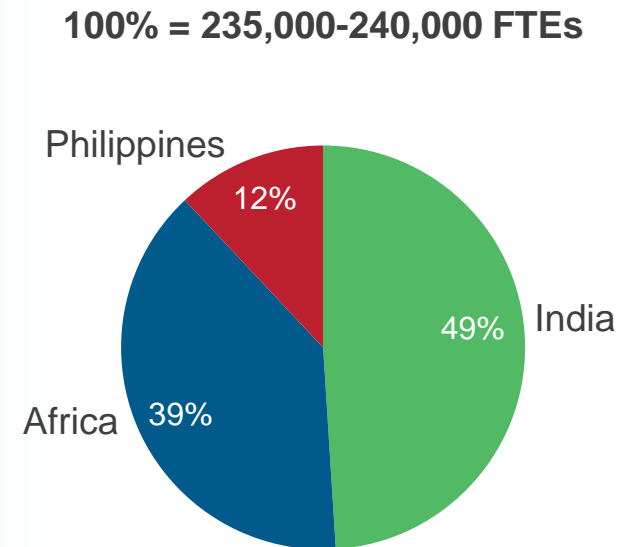


# The impact sourcing (IS) market is sizable and is growing faster than the overall BPO market

**Size of impact sourcing market<sup>1</sup>**  
2014; Percentage



**Geographical distribution of IS market<sup>1</sup>**  
2014; Percentage



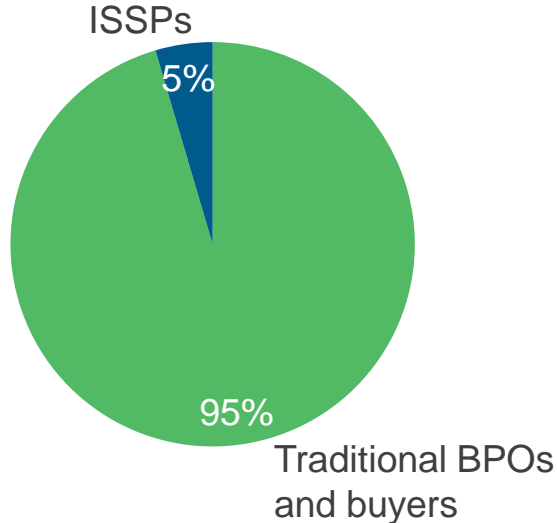
<sup>1</sup> Based on six African countries (Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa) and two global locations (India, Philippines)



# Adoption is driven by traditional BPOs and buyers using IS to deliver exports and domestic services

Distribution of IS FTEs by type of player  
2014; Percentage

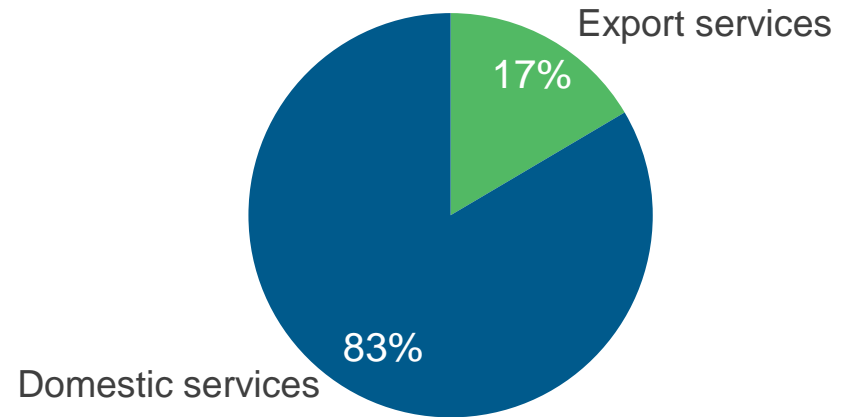
100% = 235,000-240,000 FTEs



- Adoption led by large traditional BPOs (top 20 BPOs) and Fortune 1000 buyer firms
- ISSPs are concentrated in India and Kenya

Distribution of impact workers by type of client served  
2014; Percentage

100% = 235,000-240,000 FTEs



- Adoption in exports driven by characteristics of locations (foreign language skills availability)
- Adoption in domestic is driven by local language skills, cultural affinity, and cost advantage

# There are four segments of companies using impact sourcing

Segments	Mode of using impact sourcing	Examples
<b>Buyers</b>	<ul style="list-style-type: none"> <li>• Direct hiring of IS workers by the parent or shared services organization</li> <li>• Indirect hiring by influencing service providers to use impact workers</li> </ul>	<ul style="list-style-type: none"> <li>• Metropolitan Health</li> <li>• Microsoft</li> <li>• First Rand Bank</li> <li>• Standard Bank</li> <li>• Valeo</li> </ul>
<b>Traditional BPOs</b>	<ul style="list-style-type: none"> <li>• Direct hiring of IS workers, largely unintentional</li> <li>• Indirect hiring by using specialist IS providers through sub-contracting</li> </ul>	<ul style="list-style-type: none"> <li>• Aegis</li> <li>• Fullcircle</li> <li>• Infosys</li> <li>• Serco</li> <li>• Teleperformance</li> </ul>
<b>Impact Sourcing Service Providers</b>	<ul style="list-style-type: none"> <li>• Pure play impact sourcing service providers (ISSPs) which employ only impact workers to serve their clients</li> <li>• Service aggregators which act as a bridge between ISSPs and their clients</li> </ul>	<ul style="list-style-type: none"> <li>• Cloudfactory</li> <li>• DDD</li> <li>• Head Held High</li> <li>• Samasource</li> </ul>
<b>Training Institutes</b>	<ul style="list-style-type: none"> <li>• Institutes that offer training programs targeted towards individuals from disadvantaged backgrounds</li> <li>• Could be either part of internal organizations or external</li> </ul>	<ul style="list-style-type: none"> <li>• Careerbox</li> <li>• Harambee</li> <li>• Impact Sourcing Academy</li> </ul>

# Large, global companies are currently using impact sourcing

## Buyers

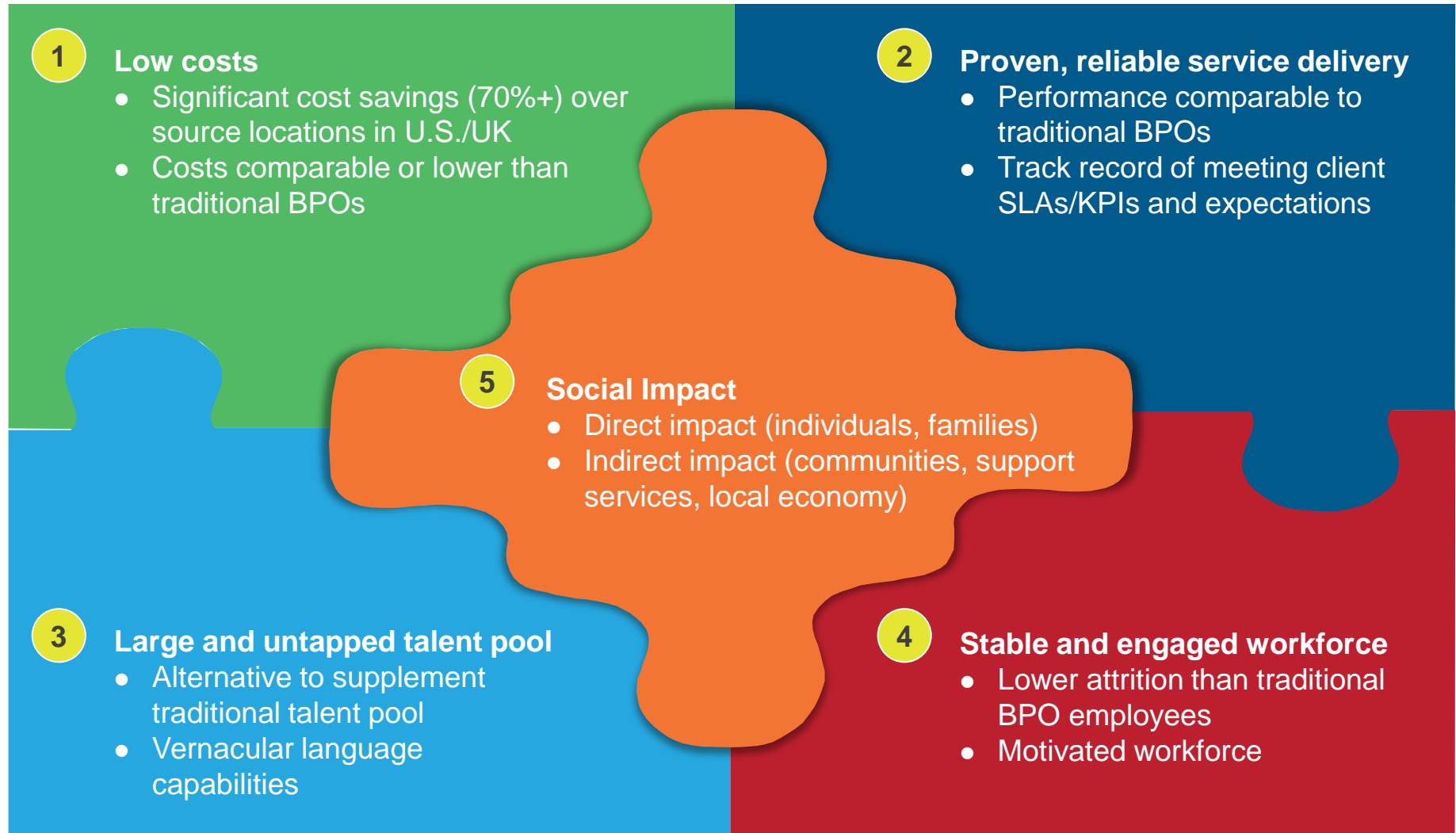


## Traditional BPOs



Note: Includes intentional and unintentional impact sourcing

# The value of impact sourcing is business process service delivery but with optimized enhancements

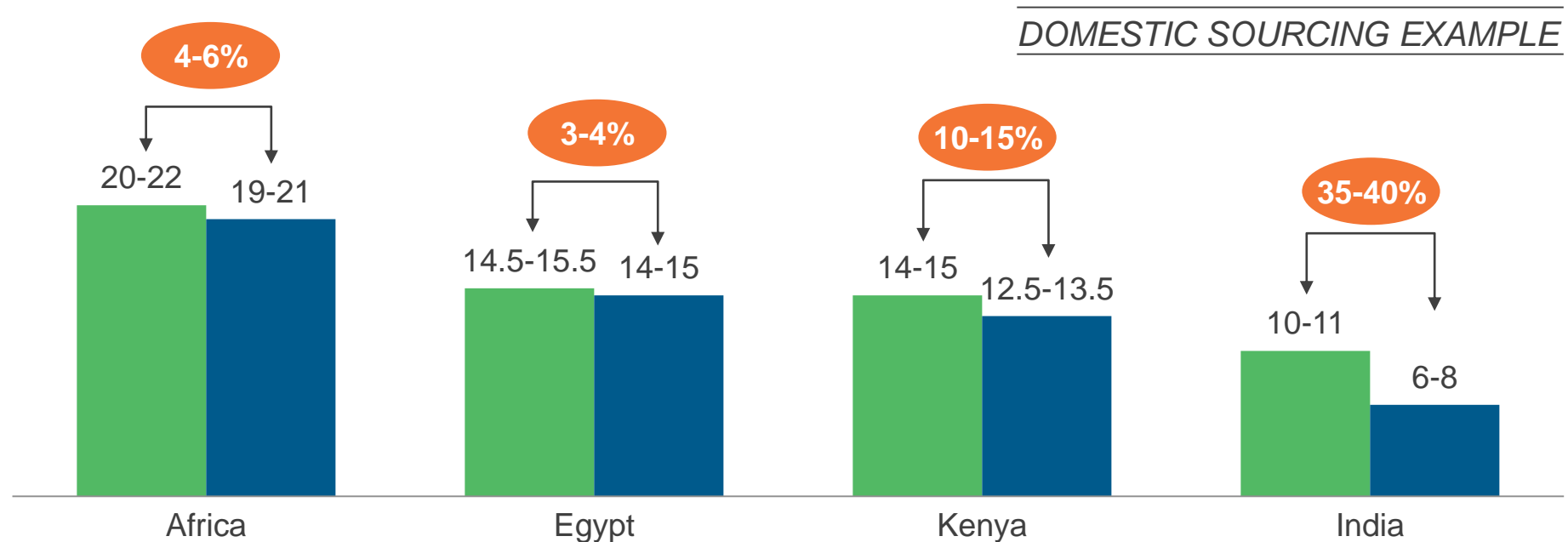


# Impact sourcing offers significant savings compared to traditional BPO

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**Fully loaded operating cost for English non-voice transactional BPO<sup>1</sup>**  
2014; US\$ '000s per annum per FTE

Traditional sourcing  
Impact sourcing



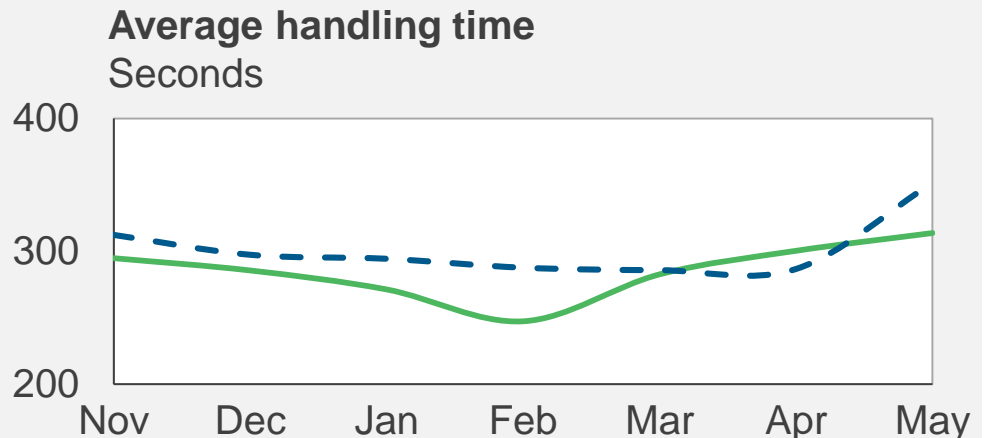
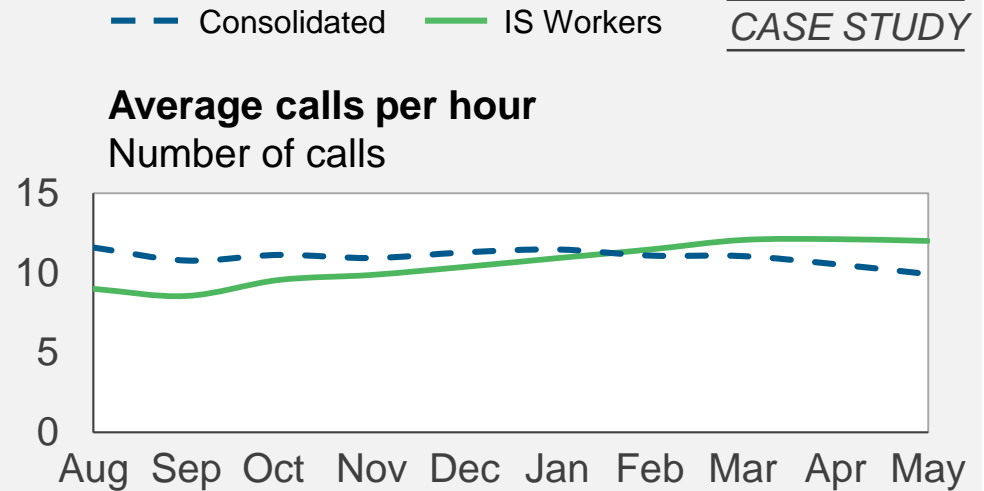
Differences driven by lower rate of attrition for impact workers and location leverage (e.g., tier-3/rural location)

<sup>1</sup> Fully-loaded operating costs including compensation and benefits, real estate and facilities, telecom, and other ongoing costs. Excludes cost of expatriate staff, ongoing travel, governance, initial set-up costs, and margins/mark-ups

# Performance delivered through impact sourcing is comparable to traditional BPO

2

- Teleperformance South Africa successfully embedded impact sourcing in its talent model
- The company developed extensive metrics to measure the performance of impact workers and compare against the traditional BPO workers
- A pilot program, running over a ten-month period, demonstrated that on most parameters impact workers showed steady improvement in their customer satisfaction levels, bringing them nearly comparable to the average performance of traditional workers



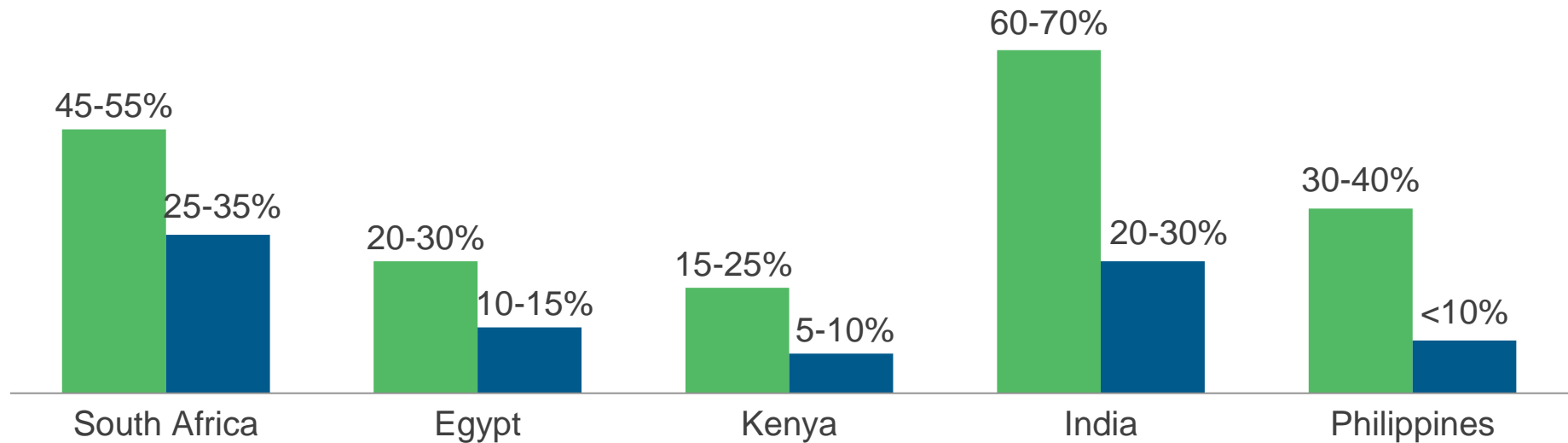
Source: Interviews with Teleperformance executives and partner organizations

# Impact workers have 15-40% lower attrition than traditional BPO workers

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Comparison of annual attrition rate<sup>1</sup>  
2014; Percentage

■ Impact sourcing  
■ Traditional sourcing

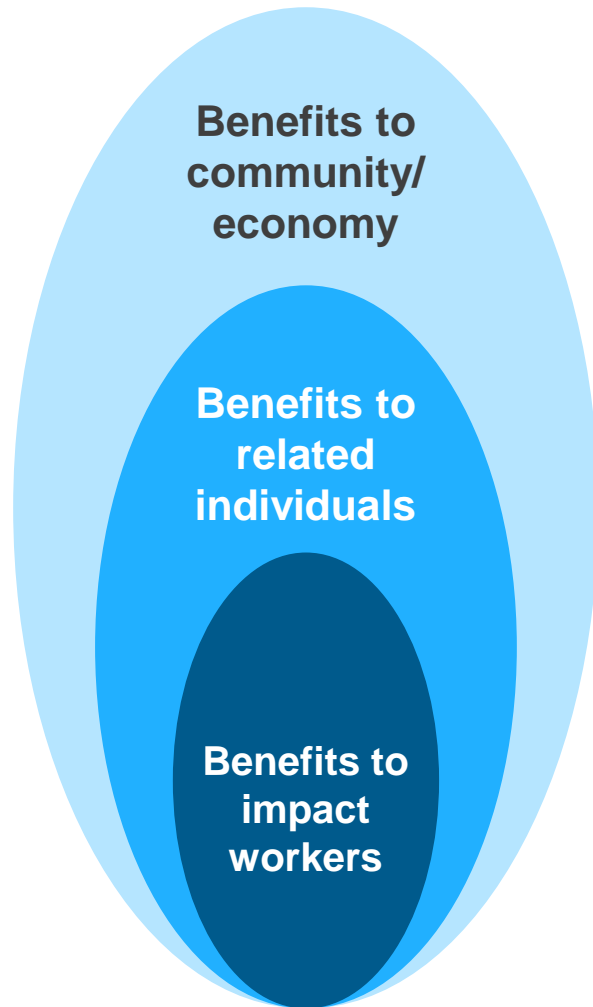


<sup>1</sup> Based on attrition rates for voice/transactional BPO for steady state operations



# Impact sourcing provides substantial benefits to impact workers, related individuals and the broader economy

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- Economic impact of 3.5-4.0x of direct income
- Up to 3x increase in discretionary spending
- Improved employability
- Increased spend on community development

- Benefit to 3-4 related individuals
- Increased in spend on family and household requirements
- Higher investment in child health and education
- Improved family relationships

- First time job opportunities
- 40-200% increase in income
- Increase in personal expenditure and savings
- Professional development and opportunities for growth
- Increase in confidence levels
- Reduced tendency to migrate

# The proposition of impact sourcing makes it a natural fit for certain types of BPO work

## Transactional, repeatable, and high volume

- Examples include
  - Non-voice support for back-office
  - Voice-work when business needs align with talent capabilities

## Bespoke work, not amenable to "industrialization"

- Typically requiring human intervention to handle case-to-case basis customization
- Typically cannot be fully automated

## Generally suitable to offshoring<sup>1</sup>

- Cost savings and efficiencies are key objectives
- No regulatory or legal restrictions on offshoring
- Limited time zone dependency

# There are multiple roles that impact sourcing can play in the global sourcing portfolios of buyers and BPOs

## Enable further optimization in global service delivery

- Achieve lower costs
- Absorb demand fluctuations and provide flexibility
- Free up internal bandwidth for higher order work

## Competitive advantage in domestic sourcing

- Access large, untapped talent pool with vernacular skills
- Achieve lower rates of attrition
- Support global companies entry into domestic markets

## Provide geographic diversification

- Enable country diversification
- Enable diversification within a country (e.g., into tier-2/3/4 cities)
- Support entry into new business markets in developing world

## Help achieve CSR objectives

- Achieve supplier diversity
- Create employment for disadvantaged communities
- Help improve CSR objectives

# Impact sourcing – a model for developing human capital

## Funding for training programs

Strong support from governments and industry associations to back training programs targeted towards bringing disadvantaged youth in the mainstream (e.g., Monyetla program in South Africa)

## Training institutes

Companies use in-house training, specialist training institutes, or a combination of both to train and hire impact workers

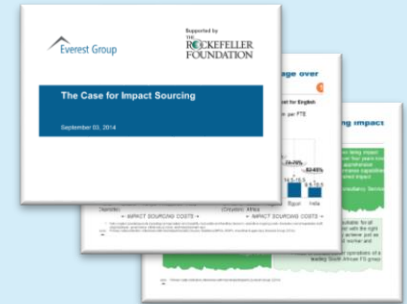
## Skills development

Focus is to unlock the potential of a previously untapped talent pool, develop this human capital to perform at a level comparable to mainstream workers, and track progress

# Learn more about impact sourcing

## Investor focused report

- 50+ page report
- Coverage includes
  - Impact sourcing market landscape
  - Customer and services segments
  - Cost savings offered by impact sourcing
  - Performance of service delivery
  - Total economic effect of impact sourcing



## Case studies

- Eight case studies across buyers and service providers
  - Aegis (SA)
  - Careerbox
  - Deloitte
  - Pangea3
  - RuralShores
  - SureHire
  - TCS
  - Teleperformance (SA)



## Testimonials

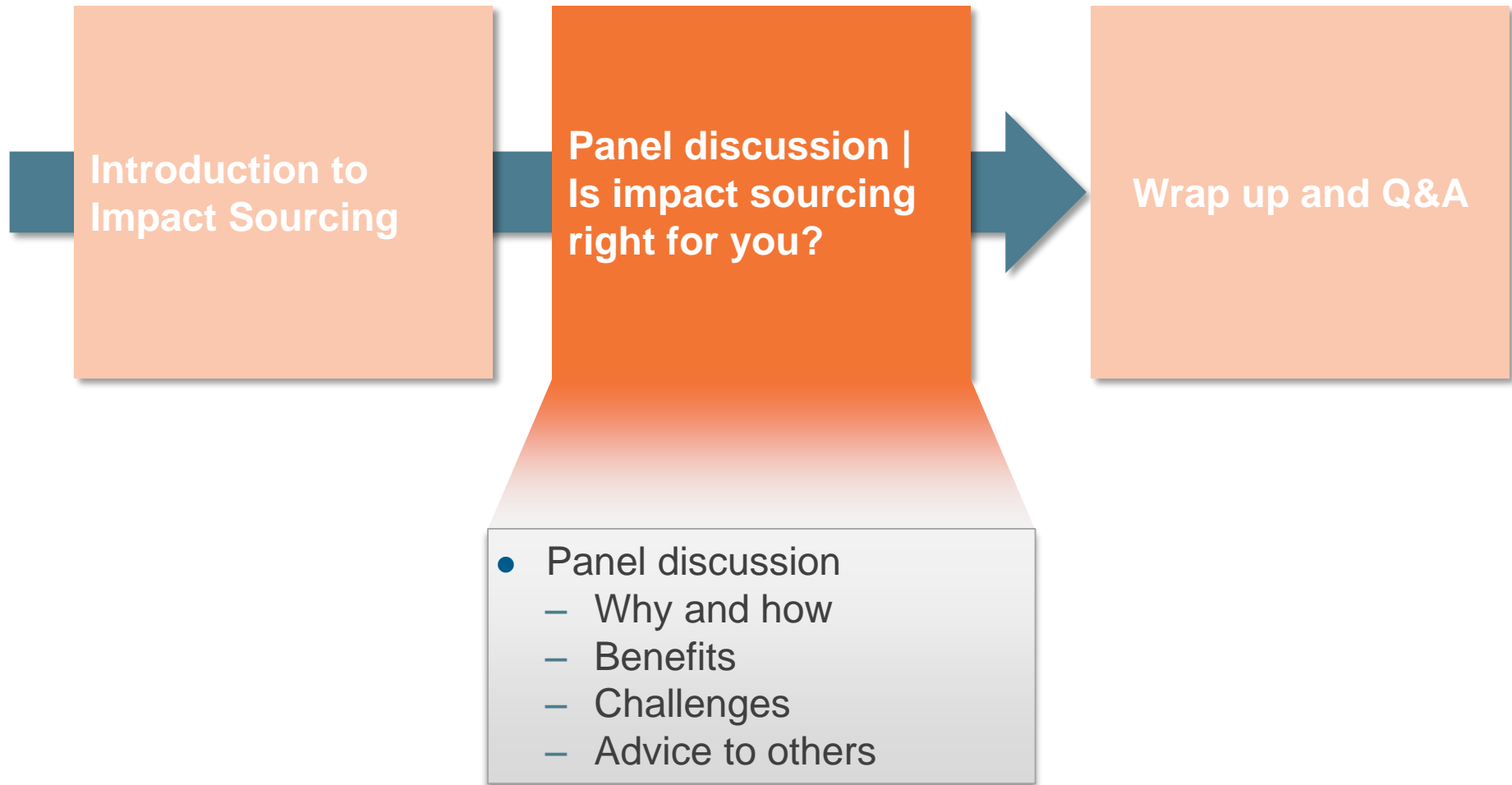
- Six testimonials highlighting companies experience
  - Accenture
  - Aegis (India)
  - Infosys
  - Microsoft
  - Quattro
  - Valeo



Documents available at: <https://research.everestgrp.com/offerings/impact-sourcing>

# Presentation topics

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# Question #1: Why did your organization choose impact sourcing?

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<b>Cost savings</b>	<b>Operational flexibility</b>	<b>Access to alternate labor pool</b>	<b>Geographic diversification</b>
<b>Risk mitigation</b>	<b>Talent sustainability</b>	<b>Social benefits</b>	<b>Others?</b>



## Question #2: How do you use impact sourcing?

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### Differences with traditional sourcing

- Nature of work
- Customer segments
- Geographies served

Facilitate entry into emerging markets

Source of competitive advantage

Others?

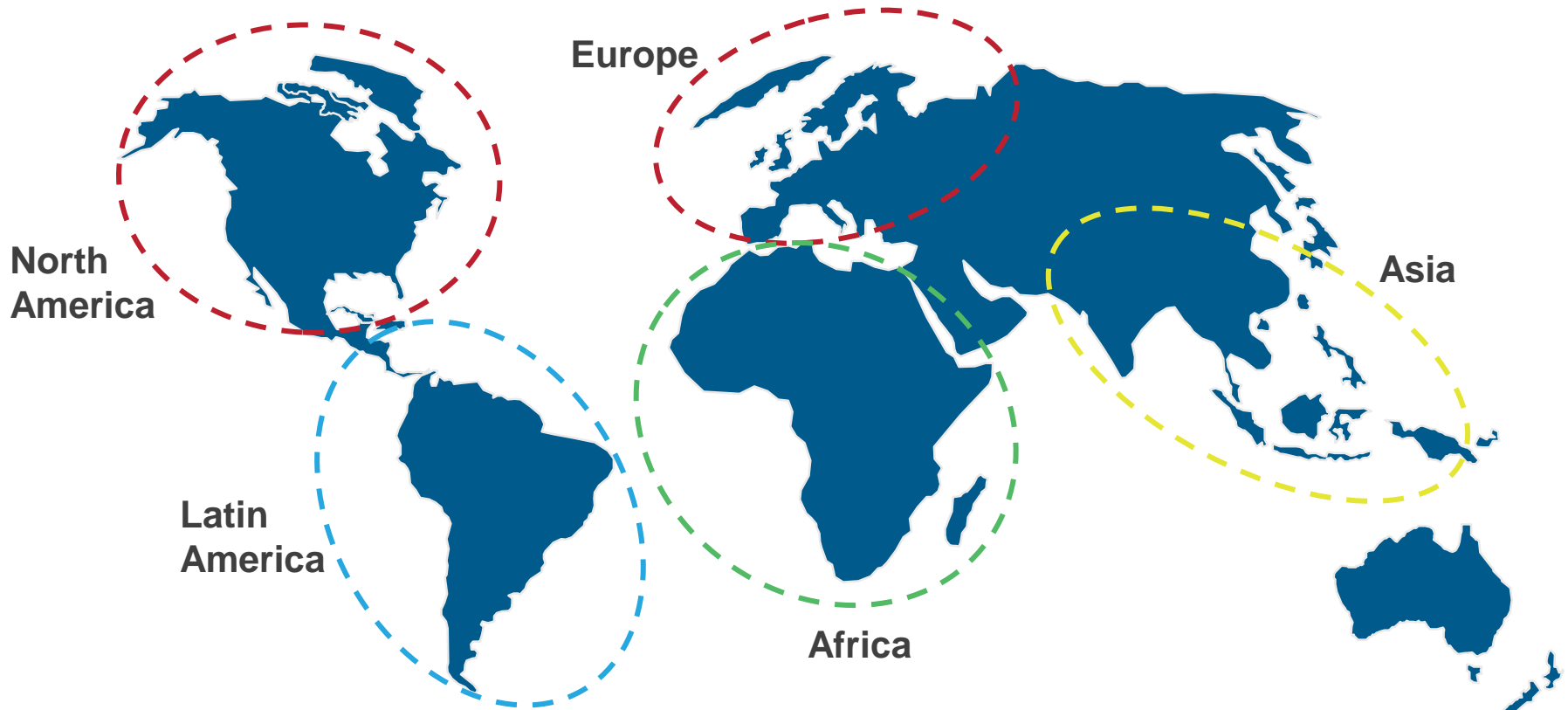
## Question #3: Which locations offer attractive opportunities for impact sourcing?

**African  
locations**

**Asian  
locations**

**Onshore  
locations**

**Others?**



## Question #4: What is your overall experience with impact sourcing?

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**Service quality**

**Results vs. plans**

**Talent management**

**Organizational buy-in**

**Unexpected  
outcomes**

**Others?**

## **Question #5: What is your advice to organizations considering impact sourcing?**

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**Nature of business case**

**Implementation challenges**

**Pitfalls to avoid**

**Others?**

# Summary messages

- 1 Impact sourcing (IS) market is large accounting for ~12% of the BPO market and is growing faster than overall BPO
- 2 IS offers a unique proposition relative to traditional BPO anchored on attractive costs, comparable performance, access to an untapped talent, and opportunity to create social impact
- 3 Impact workers offer more stable and engaged workforce than traditional BPO workers
- 4 Impact sourcing can play multiple roles in the global sourcing portfolios of companies

# Presentation topics

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**Introduction to  
Impact Sourcing**

**Panel discussion |  
Is impact sourcing  
right for you?**

**Wrap-up and Q&A**

- Submit any remaining questions!

# Have a question?

## To ask a question during the Q&A session

- Click the question mark (Q&A) button located on right side of your screen. This opens Q&A
- Be sure to keep the default set to “send to All Panelists”
- Type your question in the box at the bottom of the Q&A box and click the send button



- Attendees will receive an email with instructions for downloading today's presentation
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- For more information about how to get involved in impact sourcing, please contact [impactsourcing@rockfound.org](mailto:impactsourcing@rockfound.org)



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Posted on September 26, 2014, in [Sherpas in Blue Shirts](#), by [Aditya Verma, Practice Director, Everest Group](#)

I recently covered the reaction as a result of the acquisition. During the course of the market, create awareness.

#### What is Impact Sourcing?

So, what is it? Impact sourcing is a model of global sourcing that provides parity with traditional BPOs.

- A qualified workforce
- Lower attrition
- Opportunity for social benefits within a community

This blog is the second in a series of three on impact sourcing. In my [first blog](#), I gave an introduction to impact sourcing in terms of what it is, its constituents, and why it matters. Now I'll focus on its value proposition and business case.

#### Impact sourcing value proposition

The graphic below provides a snapshot of impact sourcing value proposition, which is based on five key elements, i.e., low cost, reliable delivery, access to alternate talent, stable workforce, and social benefits.

#### The Impact Sourcing Value Proposition

**Low cost**

- Significant cost savings (70%+) over source locations in U.S./UK
- Costs comparable or lower than traditional BPOs

**Proven, reliable service delivery**

- Performance comparable to traditional BPOs
- Track record of meeting client SLAs/KPIs and expectations

**We have hired 2,500+ impact workers till date and attrition among these workers has been 20-35% lower than regular hires.**

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