

The Promise of Impact Sourcing in a Post-COVID World

“Outsourcing” used to be a dirty word. The practice called to mind an image of employees on the other side of the globe, working in cramped conditions for little pay, and of businesses who prioritized cost-cutting measures over employee welfare. However, over the last decade the practice of outsourcing, and the world of work at-large has been changing. The call-center model of the early 2000s has been largely replaced by one of complex, digital microwork. And the welfare of sourced employees is an increasingly important consideration for buyers and suppliers alike. Impact sourcing has risen in popularity by marrying impact for workers with returns for businesses. And in the aftermath of the COVID-19 pandemic, this new model might have more promise than ever before.

What is Impact Sourcing?

The Global Impact Sourcing Coalition **defines** impact sourcing as a business practice where a company prioritizes suppliers that intentionally hire and provide career development opportunities to people with otherwise limited prospects for formal employment. Impact sourcing is often tailored to a local context but some examples include the targeting of women, differently-abled individuals, unemployed youth and those from rural areas. These employees are frequently educated, skilled individuals who, notwithstanding their talent, remain unemployed because of economic and societal barriers to work. Through the provision of employment to these pools of previously untapped talent, impact sourcing allows these individuals, participating businesses and ultimately, society, to all benefit.



Benefits of Impact Sourcing

Though impact sourcing is a socially-conscious practice, by no means does it amount to charity or CSR on the part of companies who partake. The benefits of impact sourcing can be seen by both buyers and the suppliers.

Diverse Talent

Impact sourcing allows companies to access diverse, previously untapped pools of talent. In contrast to traditional outsourcing providers, who often draw from a recycled pool of the same resources, impact sourcing focuses on bringing fresh talent into the workforce and leveraging their wide-ranging skills and willingness to learn and adapt. For many employees, this is their first well-paying job in a professional environment. As a result, impact sourcing employees report higher levels of motivation and a dedication to completing their tasks in a timely, dedicated manner**.**

Quality

This diverse talent pool also means that impact sourcing suppliers can provide consistent, high-quality work that often exceeds that of traditional outsourcing providers. By paying employees a fair wage and providing access to training and career development opportunities, impact sourcing firms are able to better retain and nurture their workforce. As a result, they **report** employee attrition rates that are 15-40% lower than traditional outsourcing firms. Over time, these employees are thus able to refine and grow their skills, translating to greater proficiency and improved quality for buyers. And these long-term relationships also mean that companies are able to work with suppliers on more complex, specialized tasks and projects.

Cost

While the base-cost is often comparable to that of traditional BPO hiring models, impact sourcing firms are able to reduce long-term costs to companies by investmenting in their employees. Because of low-turnover and high job-satisfaction, impact sourcing firms spend less time and money continually recruiting and training new employees. This translates into **long-term cost savings** that they are able to pass on to client companies.

Social Impact



The clear and overwhelming benefit of impact sourcing is the sustainable, transformative impact that this practice has on the lives of employees, their families and their communities. By bringing new employees into the workforce and providing them with a meaningful job, competitive salary and opportunities for skill development, impact sourcing firms empower employees with the means to transform their own lives. And through a **value chain** that includes employees' families and their communities, impact sourcing creates a long-term economic impact in the lives of everyone it touches. By promoting responsible supply chains and social equity, companies that practice impact sourcing are able to use their business for good.

Beyond Business Processes

Though the BPOs were once known exclusively for its association with call-centers, customer service and other basic business functions, the industry has undergone a transformation over the last few years. The rise of artificial intelligence and increasing usage of data by tech and non-tech companies alike has created a demand for skilled microworkers who can train algorithms and annotate data. Today's impact sourcing providers are more likely to be found working on a range of digital solutions for companies including ecommerce cataloging, natural-language processing and data annotation for machine learning.

How Does Impact Sourcing fit into a Post-COVID society?

The COVID-19 pandemic has exposed a need for innovative new ways of doing business and work. Through its reflection of market trends and emphasis on resilience across the supply chain, impact sourcing is a promising model for the

future.

While the increasing penetration of artificial intelligence and machine learning systems into large swaths of daily life was already well under way before the start of the pandemic, the last few months have greatly accelerated existing technology trends. Many firms **predict** AI technologies, such as those that increase production, augment human workforces and deliver hyper-personalized products to consumers, will be key to private-sector recovery and adaptation after the virus. And according to a 2019 **report** from research firm Cognilytica, data preparation and engineering tasks account for more than 80% of the time involved in most AI and machine-learning projects. Impact sourcing firms are well-equipped to take on new projects and enhance their existing capabilities in data-labelling and other AI-services. The global market for AI and machine-learning relevant data preparation solutions is **expected** to reach $1.2 billion by the end of 2023, from about $500 million in 2018. Skilled digital microworkers will be key to the increased impact of this industry.



COVID-19 has also changed the nature of work. In an effort to cut costs and increase the resilience of their personnel to national and international crises, many businesses are looking to diversify their workforces across geographies and functions. A recent report from global research firm, Gartner, **found** that 32% of organizations are replacing full-time employees with contingent workers. Impact sourcing provides businesses access to a flexible, capable pool of talent without the need to compromise on quality of delivery. Technology firm NTT also conducted a **survey** of 1,250 executives in 29 countries including India, and found that particularly in the IT industry, 45% organisations will outsource more than insource in the next 18 months. In this environment, impact sourcing firms that can ensure the security and consistency of their IT-enable services will be able to play an important role in helping businesses recover and rebuild strength for the coming years.

Finally, impact sourcing provides a prime opportunity for businesses to address the major social fallout from the COVID-19 pandemic. The last few months have completely uprooted our societies, leaving millions around the globe facing mass unemployment, dislocation, hunger and poverty. In India alone, unemployment **remains** at almost 13%. This down from a high of 26% a month earlier, however the pathway toward economic recovery remains very uncertain. By choosing to work with impact sourcing providers, businesses have the opportunity to directly address the needs of some of the most vulnerable members of society and provide those most in need of work with an opportunity to improve their circumstances.

The Future Vision

The future of business and society after the fallout of the COVID-19 pandemic remains very unclear. What is clear, however, is the promise of impact sourcing to create more sustainable and inclusive supply chains of talent around the globe.