

The Growing Need for Inclusive Talent Models: Learning from Impact Sourcing Specialists

May 2022



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- ▶ Retirements Technologies
- ▶ Rewards and Recognition
- ▶ Service Optimization Technologies
- ▶ Supply Chain Management (SCM) Services
- ▶ Talent Excellence GBS
- ▶ Talent Excellence ITS
- ▶ Technology Skills and Talent
- ▶ Trust and Safety
- ▶ Work at Home Agent (WAHA) Customer Experience Management (CXM)

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Contract assessment

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Market intelligence

Tracking: service providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

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For more information on this and other research published by Everest Group, please contact us:

Rita N. Soni, Principal Analyst

Parul Jain, Practice Director

Arpita Dwivedi, Senior Analyst

Sahil Loomba, Senior Analyst

Yash Chaudhury, Analyst

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01

Introduction and overview

- Research methodology

- Key information on the report

- Background of the study

- Executive summary

- Implications of impact sourcing

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01

Robust definitions and frameworks

Impact sourcing strategy, service delivery models, impact sourcing evolution framework, and talent hiring model

02

Primary sources of information

Annual contractual and operational RFIs, service provider briefings and buyer interviews, web-based surveys

03

Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04

Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers

Proprietary contractual database of over 120 impact sourcing specialists' contracts (updated annually)

Primary research and interviews with 25+ impact sourcing specialists

Large repository of existing research in impact sourcing

Over 30 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

Executive-level relationships with buyers, service providers, technology providers, and industry associations (GISC, IAOP, BPESA)

This report is based on the following key sources of proprietary information

- Proprietary database of traditional IT/BPO services contracts of traditional service providers as well as impact sourcing specialists
- The database tracks the following elements of each contract:
 - Buyer details including size and signing region
 - Contract details including service provider, contract type, TCV & ACV, service provider FTEs, start & end dates, duration, and delivery locations
 - Scope details including share of individual buyer locations being served in each contract, Line of Business (LoB) served, and pricing model employed
- Proprietary database of global IT/BPO service providers and impact sourcing specialists
- The database tracks the following for each service provider:
 - Revenue and number of FTEs
 - Number of clients
 - FTE split by different lines of business
 - Revenue split by region
 - Location and size of delivery centers
 - Technology solutions developed
- **Service provider briefings**
 - Vision and strategy
 - Annual performance and future outlook
 - Key strengths and improvement areas
 - Emerging areas of investment
- **Buyer reference interviews, ongoing buyer surveys, and interactions**
 - Drivers and challenges for adopting workplace services
 - Assessment of service provider capabilities
 - Emerging priorities
 - Lessons learned and best practices

Key impact sourcing participants



Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information we collect that is contract specific will only be presented back to the industry in an aggregated fashion.

Background of the study

Background of the research

Businesses across the world are constantly on the lookout for sources of talent pools that are highly engaged and stable resulting in quality work and low attrition rates. One sourcing strategy that has emerged as a clear differentiator in the last couple of years is **impact sourcing**. It refers to intentionally hiring and providing career development opportunities to people from marginalized communities while meeting business objectives. The primary objective of this report is to encourage and enable enterprises and traditional service providers to take the next leap in their talent strategy through impact sourcing with the help of the findings and learnings provided in this report.

In this research study, we analyze the impact sourcing space and covered market insights. We focus on:

- The concept of impact sourcing and putting that into practice through service delivery models and frameworks
- Comprehensive impact sourcing market landscape including market size, delivery model, and talent portfolio
- Buyers' take on impact sourcing and case studies on some of the impact sourcing engagements

The scope and methodology of this report includes:

- The primary focus of this report is on impact sourcing specialists where impact sourcing is their primary talent model
- The methodology encompasses primary and secondary data collection, interviews with market participants (buyers, traditional outsourcing service providers, and impact sourcing specialists), and fact-based research

Scope of this report



Geography
Global



Industry
Broad industry with focus on
impact sourcing talent strategy



Services
Information Technology
Services, Business Process
Services, Global Sourcing,
Engineering Services, Others

Executive summary

Impact sourcing has a growing business case as a strong opportunity for unfolding alternative talent sources while making this world a better place to live in



Impact sourcing is a proven approach to gain a competitive business edge and talent advantage while creating a positive social impact

Impact workers offer lower levels of absenteeism and attrition rates compared to the traditional global services workforce. Along with offering a competitive and cost-effective alternative to traditional outsourcing engagements, they prove to be more engaged and stable. Moreover, higher focus on having a business for a cause and embracing shared value among customers and investors have encouraged enterprises to make a shift toward impact sourcing.



A close association of different impact sourcing stakeholders, such as workers, employers, and enablers, is required to drive value

Impact sourcing employers can engage with impact sourcing workers directly (through direct hiring) or indirectly (through services outsourcing or subcontracting); impact sourcing enablers provide the necessary support to promote and incentivize the overall ecosystem by devising job-readiness programs, influencing policies, and regulations such as tax benefits, hiring mandates, and a foreign trade policy.



The impact sourcing market is ~350,000 FTEs strong with specialists recording impressive growth in the last few years

The majority of impact workers are being employed by the large traditional service providers. Though the market size of impact sourcing specialists is small, they are showcasing a tremendous growth rate in revenue as well as the number of FTEs with a good mix of clients across geographies, industries, and business service lines. Client feedback suggests that in the majority of the cases, job performance of impact sourcing specialists has proven to be at par with traditional global sourcing vendors.



Women and unemployed youth from marginalized communities form the largest segments of the impact sourcing workforce being employed by specialists

Impact sourcing specialists exhibit a considerably higher women representation in their workforce compared to traditional IT/BPO service providers. High school graduates from remote locations are the key population segments being targeted by specialists.



Impact sourcing specialists are delivering across a diverse spectrum of services ranging from back-office support to data labeling and annotation

Impact sourcing specialists are delivering across a diverse spectrum of services ranging from BPS services such as lead generation and back-office support to IT services such as digital transformation, data annotation, and content moderation. A significant number of impact sourcing specialists are focusing on digital domains with an accelerated demand for data labeling and annotation services with rising AI/ML adoption globally.

Implications of impact sourcing

Impact sourcing stakeholders should focus on higher investment in the impact sourcing ecosystem with an expanded scope of service delivery and geographic considerations



Deepen investment in impact sourcing because the business case keeps scaling up (untapped talent, business edge, and corporate citizenship)

Broaden view for the scope of service delivery from impact workers as the ecosystem for inclusion gets refined

Expand geographic considerations for impact sourcing as marginalized communities are everywhere; the potential to include them in the global services market is also high

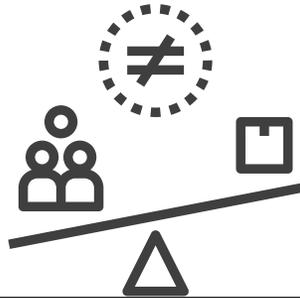
02

Understanding impact sourcing

- Overview of the current state
- About impact sourcing
- Impact sourcing ecosystem
- Business delivery model
- Key drivers of impact sourcing
- Evolution of impact sourcing
- Challenges and mitigation plans

Overview of the current state (page 1 of 2)

The issue of talent shortage is a complicated one, despite the availability of a vast pool of hidden workforce



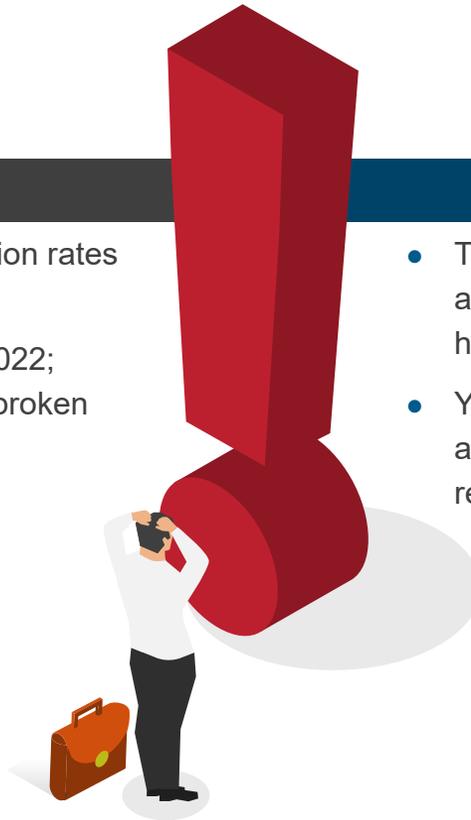
Problem of OVER-DEMAND

- Enterprises saw an average increase of 10.5% in their attrition rates in H2 2021, and we expect that trend to continue
- Leaders are bullish about the growing headcount scale in 2022; however, lack of talent is holding them back more than the broken logistical chains



Problem of OVER-SUPPLY

- There are at least 27.4 million hidden workers in the US workforce actively seeking work; however, their efforts fail due to companies' hiring policies
- Youth unemployment in leading global services destinations such as South Africa and Costa Rica is 74.7% (2021) and 40.8% (2020) respectively



Source: Everest Group 2021 Quick Polls; Everest Group 2022 Key Issues Survey; Harvard Business School Research; Country government websites

Overview of the current state (page 2 of 2)

Impact sourcing provides an opportunity to unfold talent-related challenges while making this world a better place to live in

Typical challenges of enterprises

Solutions through impact sourcing



Spiking attrition

- The impact workers are proving to be more engaged, stable, and highly productive over time with a strong sense of professional growth
- They offer lower attrition rates compared to traditional ITS/BPS workforce



High talent cost

- Along with subsidized skills, as compared to alternative IT/BPS service providers, impact sourcing often offers increased margins from low operating costs, given their location
- Low attrition rates and high engagement generate long-term savings as the training and upskilling costs gradually decline over time



Talent crunch

- Impact sourcing provides an opportunity to unlock a hidden talent pool in a talent-constrained market
- Along with improving talent diversity, impact sourcing offers additional talent-related benefits such as augmenting talent requirements during business seasonality, high capabilities in vernacular languages, improved creativity, inclusive culture, and other specialized skills



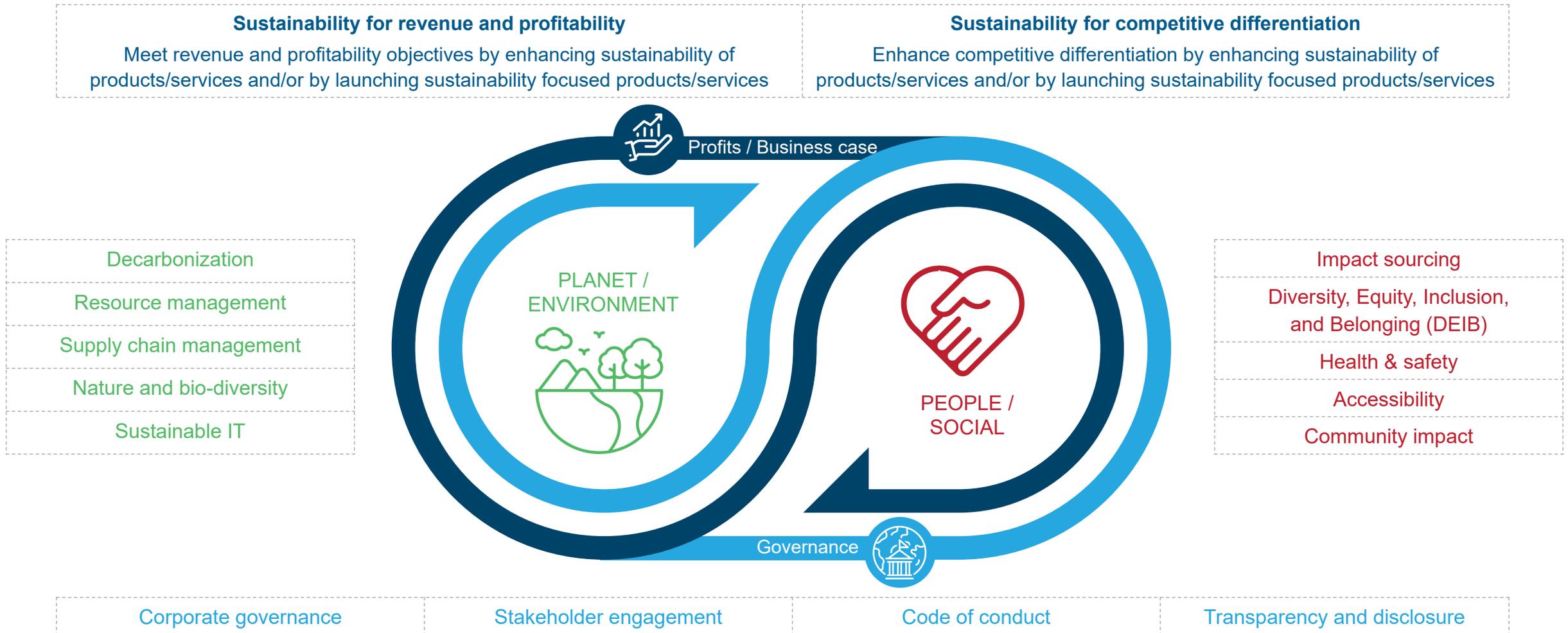
Absence of focused social impact

- With an increasingly strong focus on Corporate Social Responsibility (CSR) initiatives, impact sourcing offers great potential to create a huge social impact without compromising on achieving business objectives
- Additionally, the brand loyalty and equity are improved among employees, clients, investors, and customers

The purpose framework depicts Everest Group's definition for sustainability

Impact sourcing not only provides for social and community welfare, but also drives sustainable economic benefits

NOT EXHAUSTIVE



Definition of impact sourcing (page 1 of 2)

Though impact sourcing may take different definitions and objectives, the overall purpose remains the same

Definition

Impact sourcing: business practice to intentionally hire and provide career development opportunities to people from marginalized communities while meeting objectives such as:

- Maintaining service quality and cost at parity with traditional BPO/ITS service providers
- Fulfilling CSR, Environmental Social Governance (ESG), and diversity objectives of both the business and their clients
- Leveraging the uniqueness of the target marginalized group such as detail orientation of youth on the autism spectrum or diversity of perspective for AI/ML data services

Target groups



Economically disadvantaged group

- Below or near national/global poverty lines
- Women
- Generational/systemic poverty
- Marginally housed

Socially marginalized group

- Minority or marginalized communities based on culture, ethnicity, religion, location, etc.
- LGBTQ+
- Survivors of gender-based violence

Under/unemployed groups

- Persons with disabilities (physical, neurodiverse, etc.)
- Older adults
- Veterans and military spouses
- Incarcerated / criminal record holders

Other groups with unique factors of employability

- Refugees or migrants
- Rural/small-town residents
- Single parents / pregnant people

Definition of impact sourcing (page 2 of 2)

Some examples of impact sourcing definitions and target groups

“The impact workers we target include people who are, demographically, persistently underrepresented in the tech industry – people whose personal circumstances pose barriers to entry into employment in the tech industry, such as people responsible for caring for dependent family members) and people who are particularly marginalized in their local community.

– Bitwise Industries, San Francisco, California”

“The type of workers we work with are coming from conflict-affected backgrounds, either as refugees, asylum-seekers, internally displaced persons, or those currently living in areas of conflict.

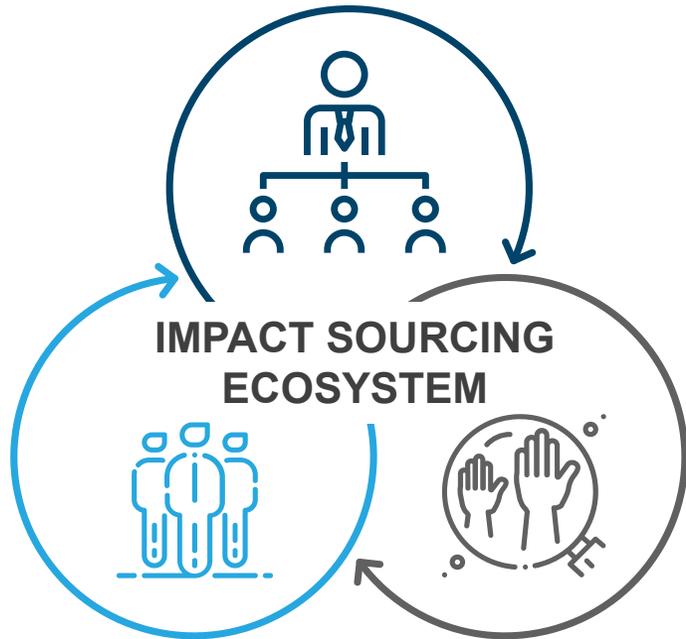
– Humans in the Loop (Sofia, Bulgaria)”

“...targets rural educated, unemployed youth with the opportunity to earn a livelihood...target the youth from underprivileged backgrounds residing in urban areas, or slums in cities and also women who aim to get back into the workforce after a break due to marriage or children.

– B2R Technologies (Uttarakhand, India)”

Overall ecosystem of the impact sourcing market

A meaningful collaboration among the various impact sourcing stakeholders such as workers, employers, and enablers is required to drive both social and economic benefits



Impact sourcing employers			
Impact sourcing specialists	Traditional outsourcing service providers	Enterprises (including GBS/shared services)	
Impact sourcing enablers			
NGOs and training institutes	Government and industry associations	Certification and international bodies	
Impact sourcing workers			
Economically disadvantaged group	Socially marginalized group	Under/unemployed groups	Other groups with unique factors of employability

Putting impact sourcing into practice

Impact sourcing employers can engage with impact sourcing workers directly or indirectly; impact sourcing enablers drive the overall ecosystem through meaningful support



Impact sourcing enablers
Provides meaningful support and aid to promote impact sourcing

NGOs and training institutes

Government and industry associations

Certification and international bodies



Impact sourcing employers
Hires impact workers directly or through subcontracting and/or partnerships

Direct outsourcing

Enterprises (including GBS/shared services)

Subcontracting →

Traditional outsourcing service providers

Subcontracting →

Impact sourcing specialists

Direct hiring – in house employment

Direct hiring – in house employment

Economically disadvantaged group

Socially marginalized group

Under/unemployed groups

Other groups with unique factors of employability



Impact sourcing workers
Seeking career development and employment opportunities

Key segments of impact sourcing employers

Impact sourcing specialists are driving multiple focused initiatives and leading the way in creating value through impact sourcing

Focus of this report



Impact sourcing specialists

- Pure-play service providers having a significant focus on impact sourcing
 - Primarily employ impact workers to serve their clients
- Hire and train the impact workers directly or through partnerships with training academies, NGOs, educational institutes, etc.

Impact sourcing specialists are leading the way in innovating impact sourcing and evolving the ecosystem in the business world. This report comprehensively covers this section.



Traditional outsourcing service providers

- Organizations that provide traditional BPS/ITS solutions mainly through non-impact sourcing workers or unintentional impact sourcing workers
- They hire impact workers either directly or use impact sourcing specialists for servicing the clients (typically through subcontracting)

Although there has been a growing focus and some noticeable examples of higher scale and workforce inclusivity through impact sourcing, the majority of the traditional service providers are less mature in this space. The report intends to enable traditional service providers to take the next leap through these findings and learnings.



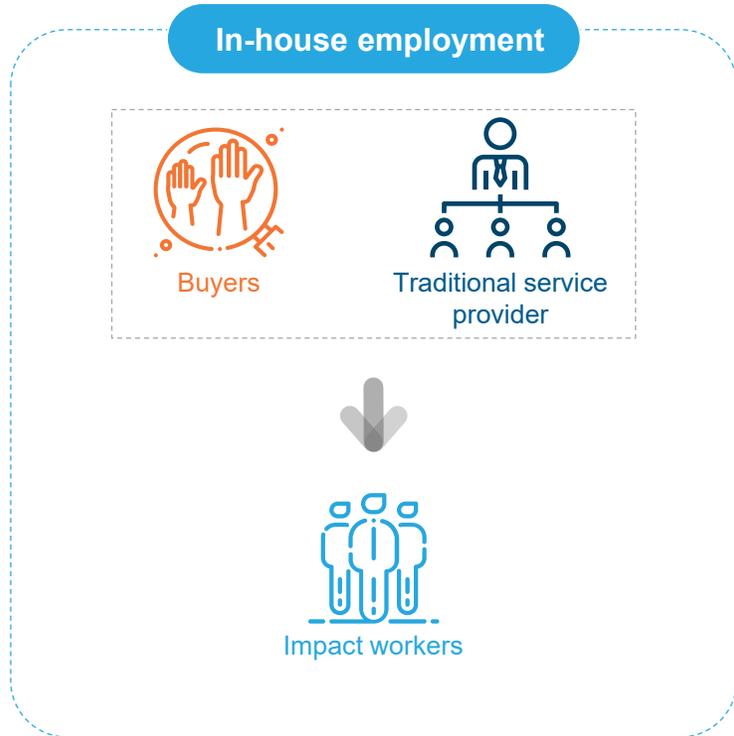
Enterprises (including GBS / shared services)

- Organizations hiring impact workers directly as a part of their own workforce or sourcing services from third-party providers for such services involving impact workers
- Directly hired impact sourcing workers are typically employed by the parent organizations or GBS

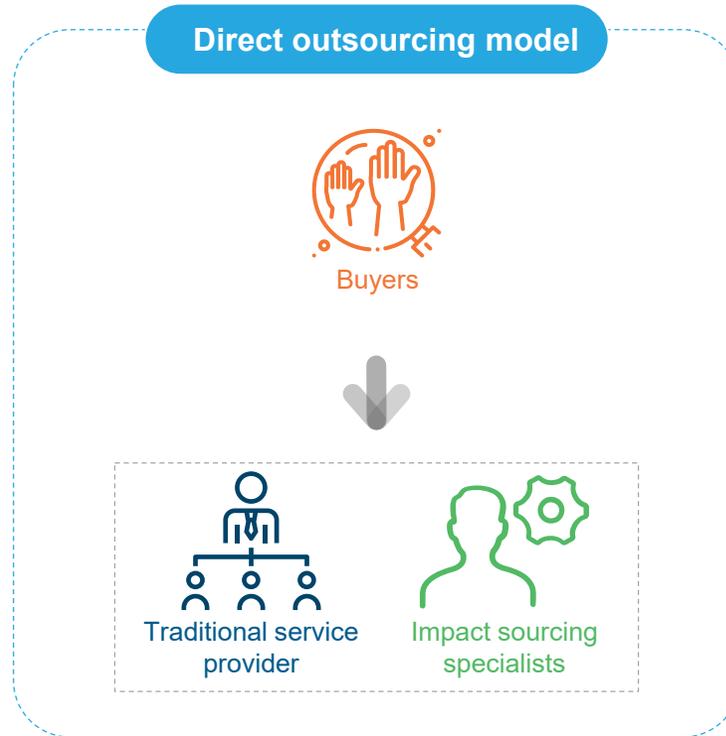
Due to lesser focus on intentional and targeted impact sourcing, the report does not cover the enterprises' section.

Business delivery model (page 1 of 2)

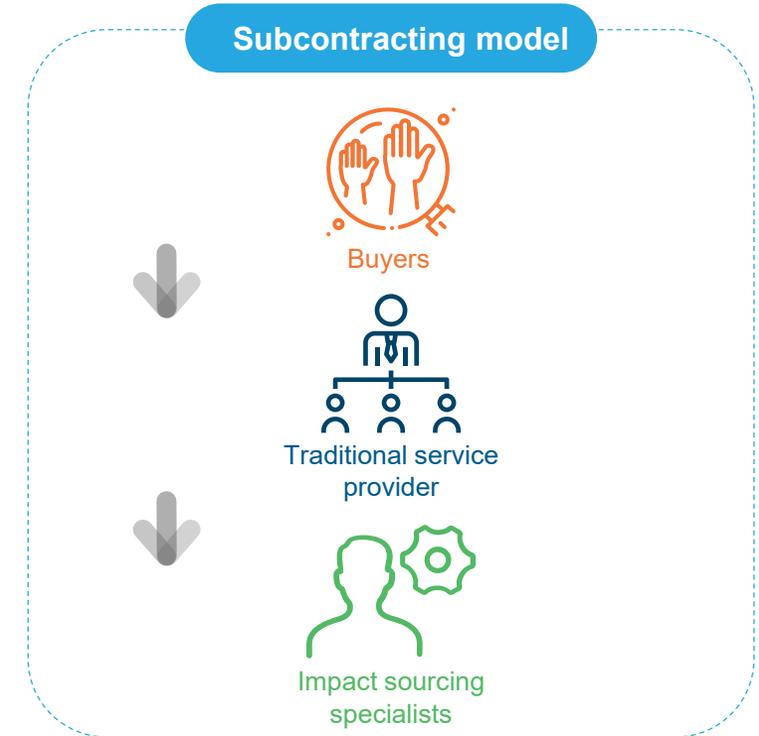
An enterprise buyer can implement an impact sourcing model through different channels such as a mix of outsourcing services along with in-house employment



- Companies hire impact workers directly
- Mostly accounts for unintentional impact hiring



- Buyers source services from impact sourcing specialists or traditional service providers (having some focus on impact sourcing) directly
- Intentional approach for enterprises having identified and defined work roles to leverage impact sourcing benefits



- Buyers outsource to traditional service providers, which in turn subcontract to impact sourcing specialists
- Typically, acts as an extension to a traditional outsourcing engagement

Business delivery model (page 2 of 2)

Some examples of impact sourcing across service delivery models

In-house employment



Microsoft established the African Development Center in Kenya and Nigeria for digital services



Teleperformance extended job offers to over 2,000 Venezuelan refugees in Colombia

Direct outsourcing model



A Fortune 500 health insurance client faced a pandemic-related crisis when their managed services vendor could not transition to work from home. Interapt solutioned a helpdesk for WFH agents.



An Indian general insurance outsourced call center (lead generation) services to RuralShores

Subcontracting model



Bitwise Industries provide outsourcing services to a multinational professional services company



A global outsourcing advisory, consulting, and research firm subcontracting BPO services to B2R

Key drivers of impact sourcing | overall summary (page 1 of 4)

Impact sourcing is a proven approach to gain a competitive business edge and talent advantage while creating a positive social impact



Key drivers of impact sourcing | talent advantage (page 2 of 4)

Easy access to hidden talent and low attrition rate through impact sourcing provide an effective solution to mitigate talent-related challenges such as resource crunch and low retention rates



Access to untapped talent



- Offers the potential to unlock the hidden talent pool available in tier-2/-3 locations
- Provides the opportunity to invest in skilling and talent development programs to manufacture talent in a supply-constrained market
- Nurtures a higher level of creativity as a result of an inclusive culture
- Provides the advantage of local expertise and vernacular language capabilities along with some specialized skills

Stable and engaged workforce



- Offers lower attrition rates compared to the traditional ITS/BPS workforce (some of the prominent impact sourcing specialists have quoted their voluntary attrition rates for impact sourcing as low as 4-6%)
- Promotes a lower level of absenteeism due to higher motivation among workers
- Fosters a more productive environment along with a strong urge for professional growth

Key drivers of impact sourcing | business edge (page 3 of 4)

Along with competitive cost and quality service delivery, impact sourcing boosts the brand equity among the employees, investors, as well as customers



Long-term cost savings



- Generates long-term savings due to low turnover and high engagement
- Ensures increased margins from low operating costs derived from low-cost country sourcing and low ongoing talent management costs

Improved brand loyalty



- Creates better brand equity and perception among customers and investors
- Promotes higher employee retention as a result of strong brand association

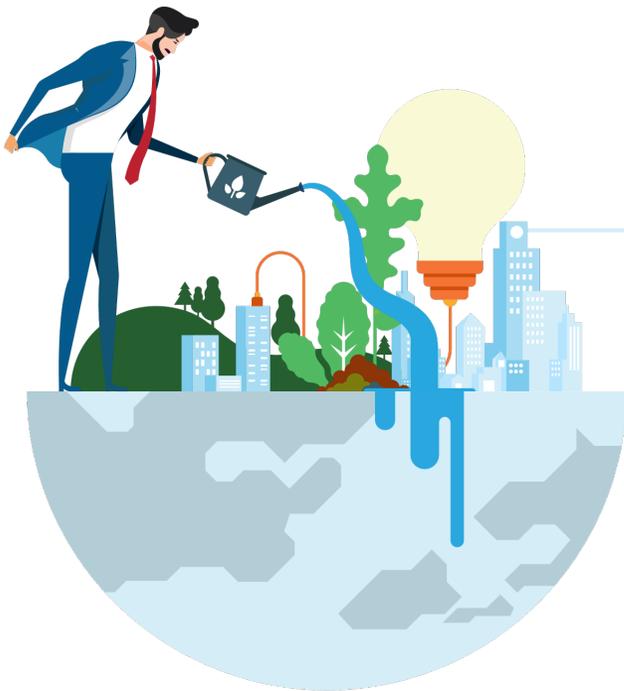
Reliable service delivery



- Delivers reliable performance, in line with traditional BPS/ITS workforce
- Provides a proven track record of meeting SLAs/KPIs and client's expectations
- Promotes high knowledge retention among workers

Key drivers of impact sourcing | corporate citizenship (page 4 of 4)

Global enterprises can leverage impact sourcing to make a difference in the lives of people, their families, and communities along with the opportunity to positively impact their internal CSR agenda



Social impact



- Improves employability and livelihood opportunities of people who otherwise have limited prospects for formal employment
- Provides better access to healthcare and education for impact workers, their families, and communities
- Promotes overall social development and local economy

Environment impact



- Promotes reverse migration and improves population distribution among urban and rural sections
- Creates less pressure on infrastructure, water, and housing facilities, thereby reducing negative climate change

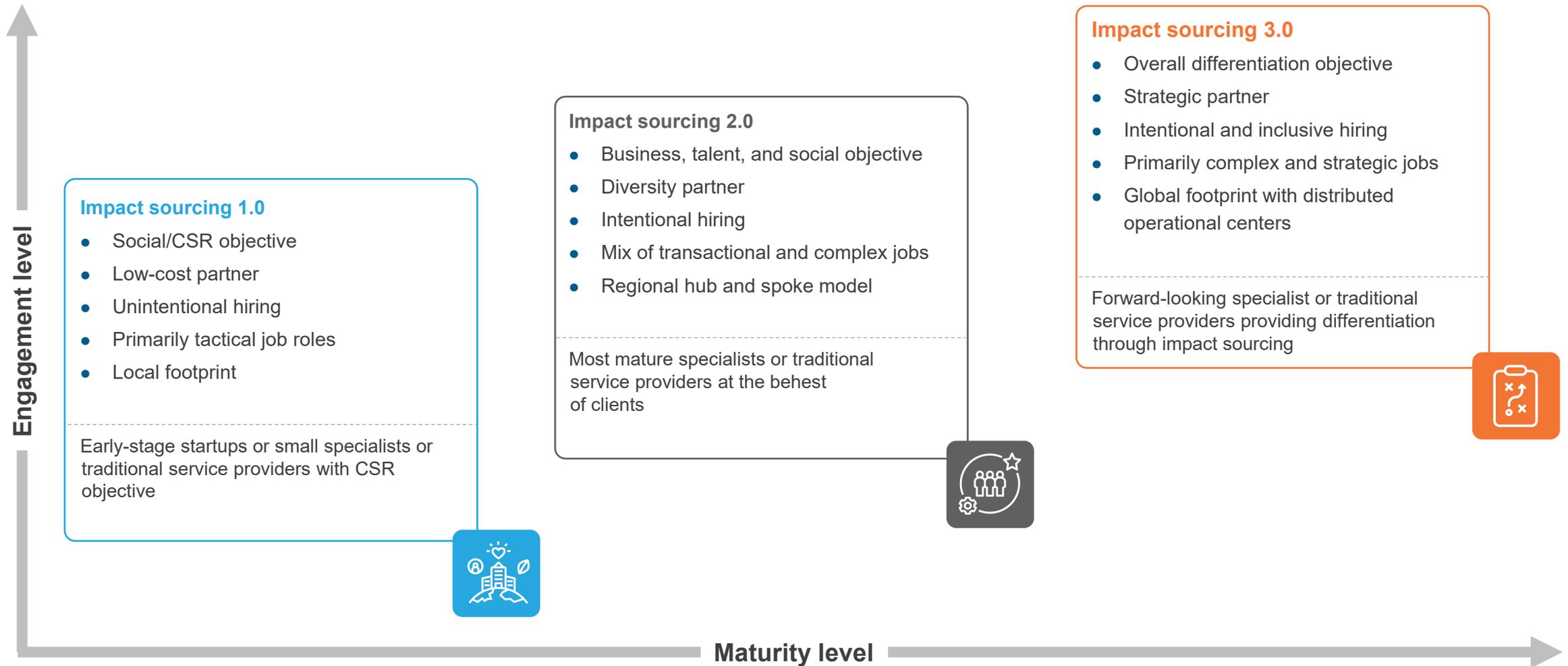
License to operate



- Supports the intangible notion of the right thing to do for the society as a whole
- Represents a societal acceptance of the model for inclusion
- Goes beyond formal legal and regulatory norms

Evolution of impact sourcing | overall framework (page 1 of 3)

The concept of impact sourcing evolves by including an additional layer of strategic engagement level at subsequent stages of model maturity



Evolution of impact sourcing | detailed outlook (page 2 of 3)

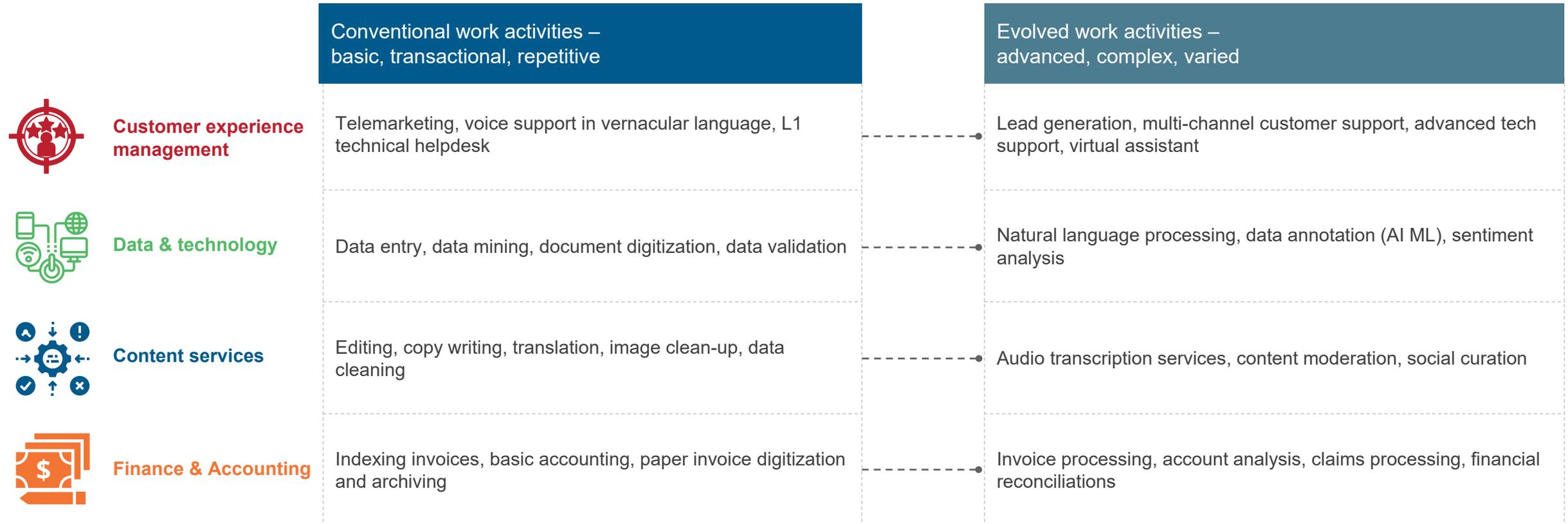
The goal of impact sourcing changes from a social commitment to the creation of overall differentiation with increasing maturity

	Impact sourcing 1.0 Objective: CSR and/or social cause	Impact sourcing 2.0 Objective: business and/or talent optimization along with social cause	Impact sourcing 3.0 Objective: overall differentiation
 Talent hiring	Ad hoc hiring, typically based on project-to-project requirements	Hiring directly or through partnerships with NGOs/training institutes with a focus on augmenting talent-based needs	Intentional and inclusive hiring based on strategic intent to build the core team
 Delivery model	<ul style="list-style-type: none"> • Low-cost service delivery • Higher prevalence of the subcontracting model 	<ul style="list-style-type: none"> • Mix of low-cost and strategic service delivery • Higher prevalence of direct outsourcing model 	<ul style="list-style-type: none"> • Strategic service delivery • Higher prevalence of in-house employment and direct outsourcing and/or hybrid model
 Job roles	<ul style="list-style-type: none"> • Transactional jobs requiring limited domain knowledge • Examples of work activities: customer support services, data entry and processing, and data validation 	<ul style="list-style-type: none"> • Mix of transactional and complex jobs requiring some level of domain or technical skills • Examples of work activities: document digitization, image tagging, financial reconciliation, social curation, and content moderation 	<ul style="list-style-type: none"> • Value-centric and strategic jobs requiring a high level of domain or technical skills • Examples of work activities: digital transformation services, omnichannel customer support, data labeling, and annotation
 Location focus	Typically, a local footprint	Regional hub-and-spoke model	Global footprint with distributed operational centers
 Employee benefits	Salary as per government statutory norms	Additional benefits, such as health insurance, sabbaticals, and variable pay, over and above a better salary structure	Fair pay and investment in continuous talent upskilling

Evolution of impact sourcing | work activities (page 3 of 3)

The work activities are evolving from being tactical to value-centric and hence, moving up the value chain with an added layer of complexity

NOT EXHAUSTIVE

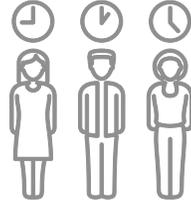
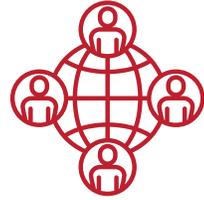


In addition to evolving work activities, some leading impact sourcing specialists leverage proprietary tools and technologies to provide innovative ITS/BPS solutions in line with some traditional service providers

Talent hiring models

While hiring impact workers depends upon internal and external requirements and regulations, the hybrid hiring model has gained significance to leverage the benefits of lean as well as core team hiring models

Low \longrightarrow High


	 Lean hiring model	 Core team hiring model	 Hybrid hiring model
Basic definition	Hiring is done on a project-to-project basis, typically on a temporary basis	Hiring talent on a permanent basis	Hiring talent on a permanent basis while augmenting additional needs through project-based hiring
Typical engagement time	3-6 months	>1 year	-
Maturity level	Low	High	Medium
Viability	Suitable for start-ups or small-impact sourcing specialists	Suitable for service providers with long-term engagements with clients	Suitable for service providers with expansion plans in terms of client base, delivery centers, geography, etc.
Prevalence			

Key challenges and mitigation plans

Impact sourcing specialists are implementing robust practices to mitigate any challenges related to talent, delivery, and business



	Talent		Delivery		Business	
Challenges	<p>Access to the right talent</p> <p>Remote presence of a significant talent pool along with limited checks and regulatory frameworks make access to new and right talent difficult.</p>	<p>High training cost</p> <p>Regular talent investment in the form of skilling and upskilling resources poses a challenge to manage high training costs.</p>	<p>High lead time to start</p> <p>Due to the requirement of basic training and orientation to customized delivery training, the lead time to start a project becomes high.</p>	<p>Lack of impact measurement</p> <p>Given the transactional nature of work, it becomes difficult to measure tangible impact on business outcomes.</p>	<p>High price sensitivity</p> <p>Since most of the impact sourcing specialists provide low-value commoditized services, there is a limited sustainable competitive advantage for them.</p>	<p>Improper market reach</p> <p>Along with the location constraint and low-value business scope, there is a market perception of more social, less business for most impact sourcing specialists.</p>
Typical mitigation plans	<ul style="list-style-type: none"> Focus on an optimum mix of hiring directly and hiring through external partnerships with various government organizations and NGOs Invest in the local community to improve the average level of talent 	<ul style="list-style-type: none"> Create a robust in-house training program including foundational and process trainings followed by on-the-job trainings Develop partnerships with NGOs or other training institutes for focused training programs in developing core skills 	<ul style="list-style-type: none"> Create and invest in some ready-to-start programs enabling quick starts Focus on an effective skill-mapping exercise to identify and groom workers accordingly 	<p>Establish and incorporate a balanced scorecard including key performance indicators such as attrition, turnover, worker performance, and cost benefits through impact sourcing</p>	<ul style="list-style-type: none"> Avoid the race to the bottom by creating differentiation through quality delivery along with cost benefits Invest in building service capabilities and brand as a reliable service provider that is creating business value as well as social impact 	<ul style="list-style-type: none"> More focus on front-office services Identify and expand operations in unconventional markets such as Bhutan, Bangladesh, Rwanda, or Ghana Establish strategic partnerships with established traditional service providers

03

Impact sourcing specialists – service provider landscape

- Impact sourcing market size

- Talent portfolio of impact sourcing specialists

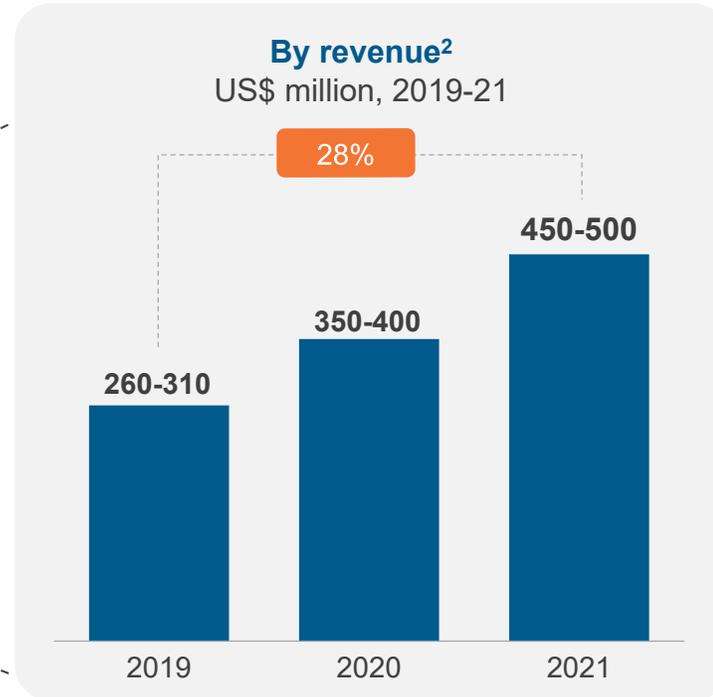
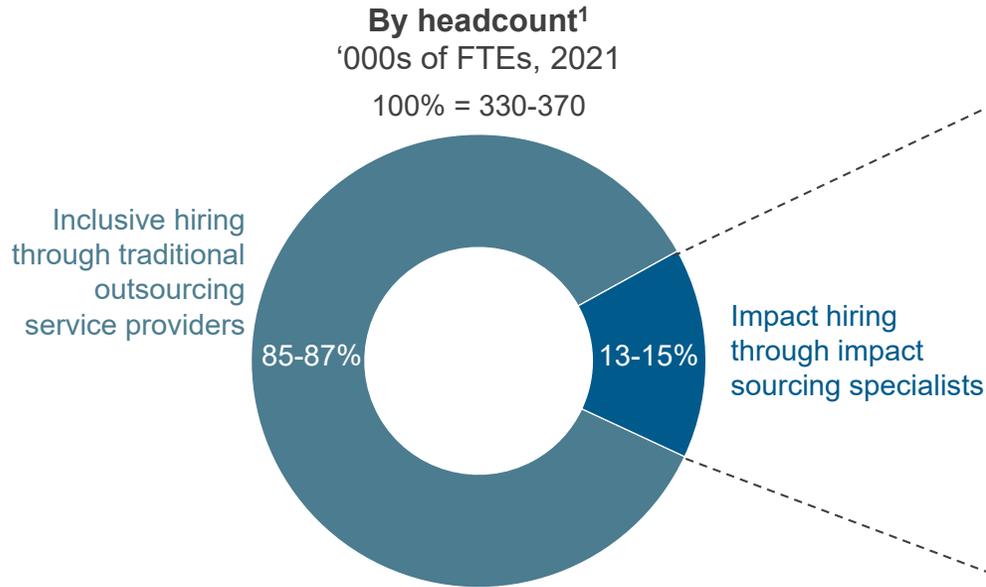
- Business and hiring model of impact sourcing specialists

- Client portfolio of impact sourcing specialists

Impact sourcing market size

The impact sourcing market is approximately 350,000 FTEs strong, where specialists have recorded impressive growth in the last few years

Impact sourcing market size



CAGR 2019-2021

- The majority of impact workers are being employed by large traditional service providers either directly for specific project requirements or as part of their inclusive hiring initiatives. However, given the size of large service providers, impact sourcing accounts for just 1-5% of their overall workforce
- Though the market size of impact sourcing specialists is small, they are constantly evolving and building services capabilities with a good mix of focus on different business service lines. For instance, during 2020-21, Rural Sourcing, an Atlanta-based impact sourcing specialist, focused on digital engineering services, and grew its revenue by 1.39 times. FiveS Digital, an India-based impact sourcing specialist, expanded its workforce by 1.37 times

¹ Includes impact workers employed with traditional outsourcing service providers as well as impact sourcing specialists

² Revenue generated by impact sourcing specialist service providers only. Does not include revenue generated through inclusive hiring programs of traditional outsourcing service providers

Source: Primary and secondary data collection; interviews with market participants (buyers, traditional outsourcing service providers, and impact sourcing specialists); Everest Group (2022)

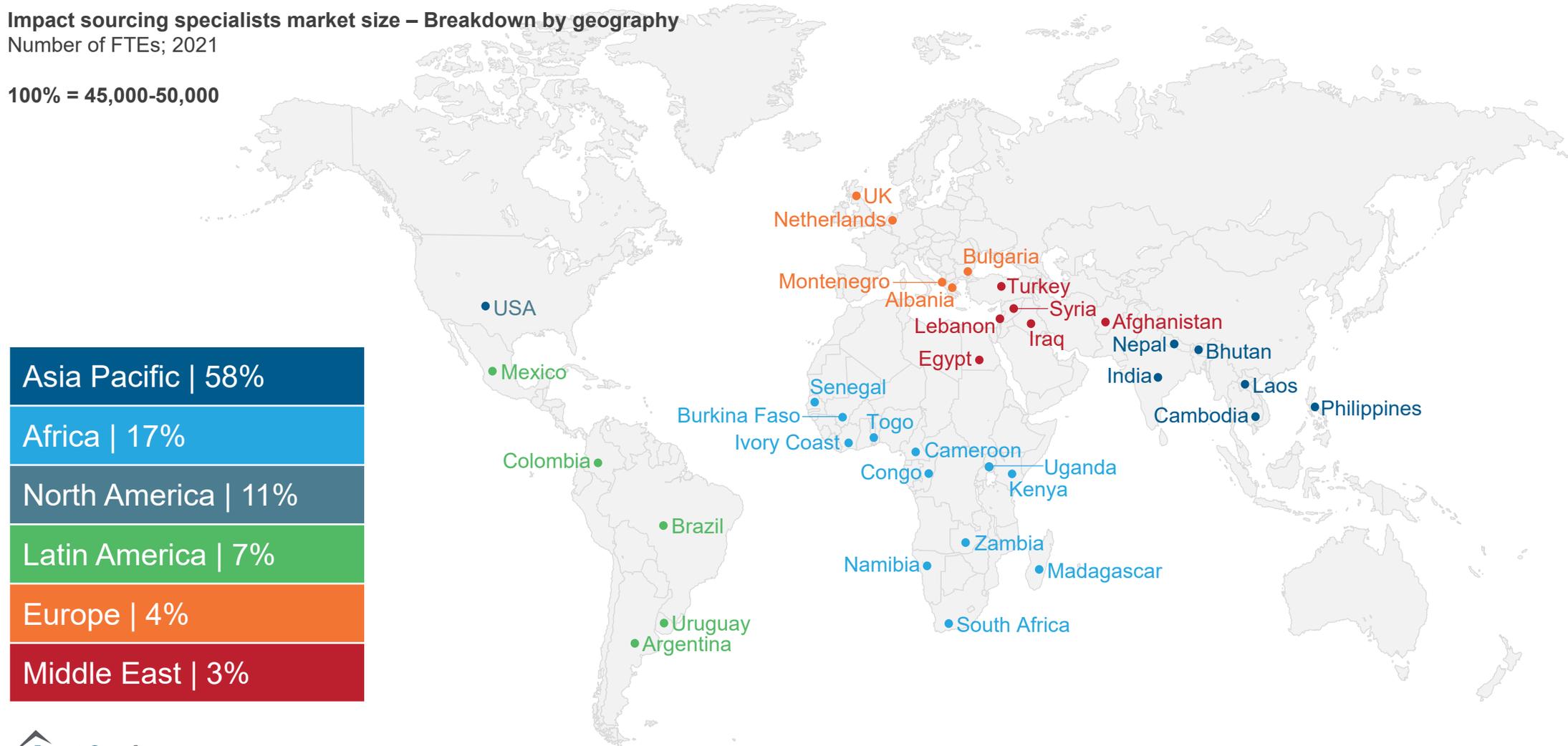
Impact sourcing specialists | talent portfolio (page 1 of 4)

Impact sourcing is a global phenomenon, with APAC leading as the key sourcing location followed by Africa and Latin America

Impact sourcing specialists market size – Breakdown by geography

Number of FTEs; 2021

100% = 45,000-50,000

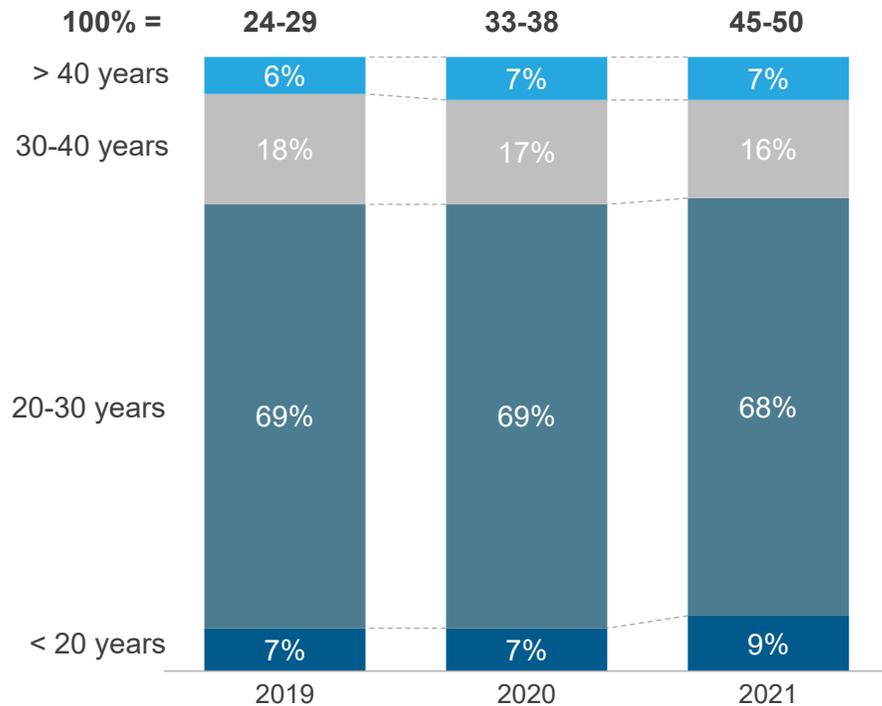


Impact sourcing specialists | talent portfolio (page 2 of 4)

Unemployed youth form the backbone of the impact sourcing specialists' workforce

Breakdown by age of employees

Numbers in '000; 2019-2021



Unemployed youth from remote locations form the major chunk of the impact sourcing workforce

- The unemployed youth, in the age group of 20-30 years, constitutes almost three-fourths of the impact sourcing specialists' workforce
- Younger population segments showcase preferred qualities for ideal candidates such as willingness to learn quickly and improve themselves to get promoted to higher roles. This facilitates a smooth learning curve and training process



Good work culture along with competitive wages are the key motivators for the impact workers to continue their career trajectories with the specialists

- Specialists believe that a great work culture is a major factor for the impact sourcing workforce to remain in this industry even in their late thirties. iMerit, for instance, has stated that people come back to them after working in different roles in their careers because of the work culture
- The impact sourcing specialists also facilitate employment opportunities with wages much higher than the minimum wages

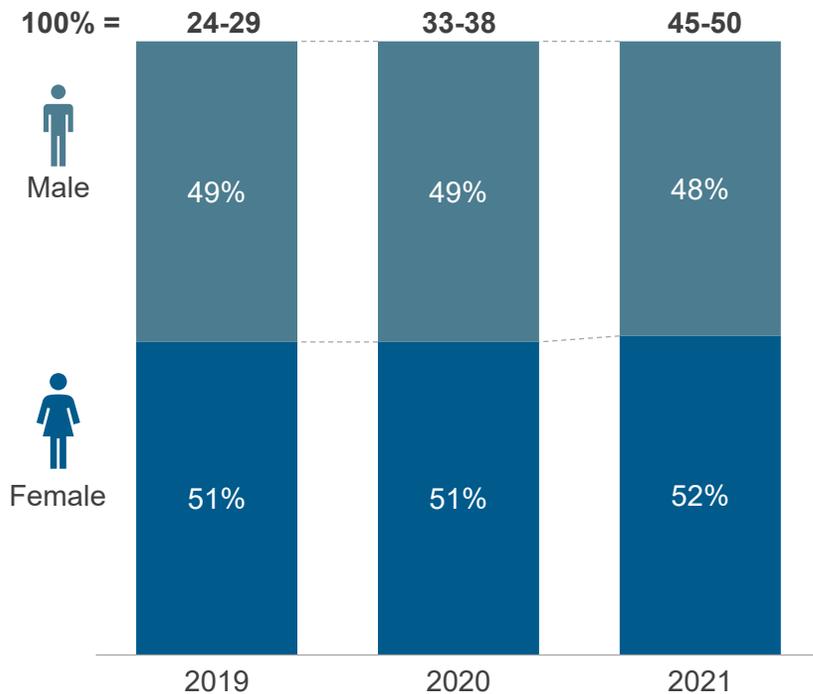
Source: Everest Group (2022)

Impact sourcing specialists | talent portfolio (page 3 of 4)

Impact sourcing specialists exhibit considerably higher women representation in their workforce as compared to traditional IT/BPS service providers

Breakdown by gender

Numbers in '000; 2019-2021



65-75%
25-35%
Typical gender breakdown for traditional service providers

- The past decade has seen a rise in female participation with respect to the outsourcing industry. This is reflected in the impact workforce as well with a much higher proportion as compared to traditional service providers
- Single mothers, women who have lost their families, and victims of war and migration have become the breadwinners for their families. They want to be independent, and the impact sourcing industry is helping them to achieve this goal
- Many impact sourcing specialists are exclusively designing programs aimed at hiring and training women. Televerde, for instance, has a women-majority workforce, and eight of their 11 contact centers are currently staffed by incarcerated women. Many other impact sourcing specialists have a 75:25 female to male ratio in their workforce
- From the rural areas of Africa to the war-torn countries like Syria, women constitute a major proportion of the impact sourcing workforce
- In countries where convention does not allow women to go far from home, in-house or near-house training is also provided by impact sourcing specialists

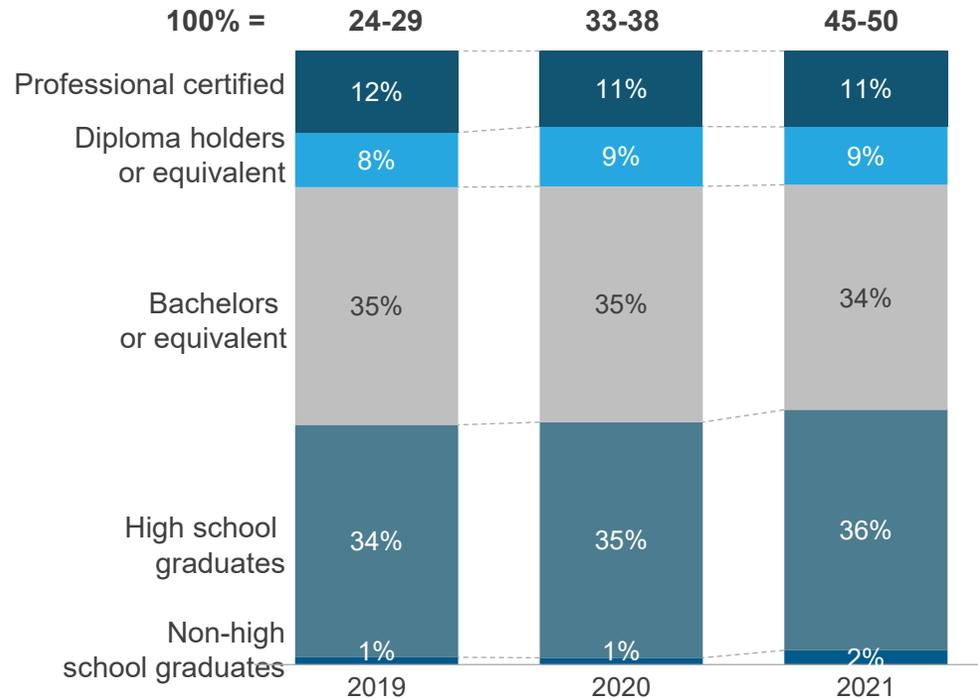
Source: Everest Group (2022)

Impact sourcing specialists | talent portfolio (page 4 of 4)

High school graduates from remote locations exhibit the highest untapped potential as impact workers, which is being leveraged by specialists

Breakdown by educational qualification

Numbers in '000; 2019-21



On-the-job performance of high school graduates has proven to be at par with impact workers having a bachelor's degree or equivalent educational qualifications

- Geographies such as Africa, India, and Latin America are the key markets for hiring high school graduates
- They are also provided training as a part of the DEIB initiatives being led by governments/NGOs/corporates in collaboration with impact sourcing specialists

The rising demand for local communities in data annotation services is opening up employment opportunities for impact sourcing workers with bachelor's degrees or equivalent educational qualifications

- Impact sourcing workers with bachelor's degrees are usually employed in digital services with on-the-job training opportunities or apprenticeships often funded by a large technology service provider
- Many impact sourcing workers who are high school graduates go on to obtain a bachelor's degree, often sponsored by specialist firms

Effective skill-mapping exercises are being conducted by specialists to identify the most suitable job roles for impact workers

- Specialists are proactively taking initiatives to identify opportunities that cater to the best of their workers' abilities and create differentiation through quality delivery along with cost benefits
- For instance, hiring local communities for data labeling services requires training in Natural Language Processing (NLP) / Natural Language Generation (NLG) models or targeting a neurodiverse population for their ability to pay attention to details and innovative thinking for job roles that are more structured and process based

Source: Everest Group (2022)

Impact sourcing specialists | business model

The for-profit model is the preferred delivery model among impact sourcing specialists to drive self-sufficiency in business operations

Percentage distribution of the business models adopted by impact sourcing specialists

2021

100% = 22



For-profit

67-70%

The for-profit business model is the most popular among impact sourcing specialists as it helps to break away from the dependency on grant-based models, **establish self-sufficiency, and facilitate scalability.**



Blended

25-28%

A blended model, which is a mixed portfolio of profit and non-profit models, is on the rise and visible in some players where the share of profits received is invested back into the ecosystem to maintain a sustainable operation.



Non-profit

4-7%

The non-profit model has been an evolutionary trend for specialists, with several large players transitioning from a non-profit model to blended or for-profit models as their scale of operations expands.



Source: Everest Group (2022)

Impact sourcing specialists | hiring model

Impact sourcing specialists adopt direct hiring models and design training programs focused on technical skills needed for the job role as well as soft skills for the overall development of the workforce



Direct hiring

Specialists generally adopt direct hiring models through specific screening programs involving social and economic criteria. Post onboarding, these workers undergo further training involving two broad components:

- **Technical training**, involving skills such as language proficiency, computer application, and other technical skills required for the job
- **Soft skills and management training** to groom the impact sourcing workforce and help them progress further on their career path

Through partnerships

Hiring through partnerships has generally been adopted under two major instances:

- **Specialists extensively collaborate with impact sourcing enablers to target specific segments of the impact workforce** such as persons with disabilities (physical, neurodiverse, etc.), older adults, refugees, and low-income communities. For instance, Autonomy Works, an impact sourcing specialist that focuses on employing people with autism, has a partnership with a disability habilitation group in the US
- **Specialists working with contract/temporary workers** also adopt this model to ensure the availability of resources at a low cost. For instance, DignifAI employs this practice because most of the impact workers in Colombia are migrants who work on a temporary basis. Thus, hiring through partnerships becomes more economical

Source: Everest Group (2022)

Impact sourcing specialists | client portfolio (page 1 of 4)

North America is the key revenue center for impact sourcing specialists

Revenue split by geography

US\$ million; 2021

100% = 450-500



North America

67%



Latin America

6%



EMEA

13%



Asia Pacific

14%

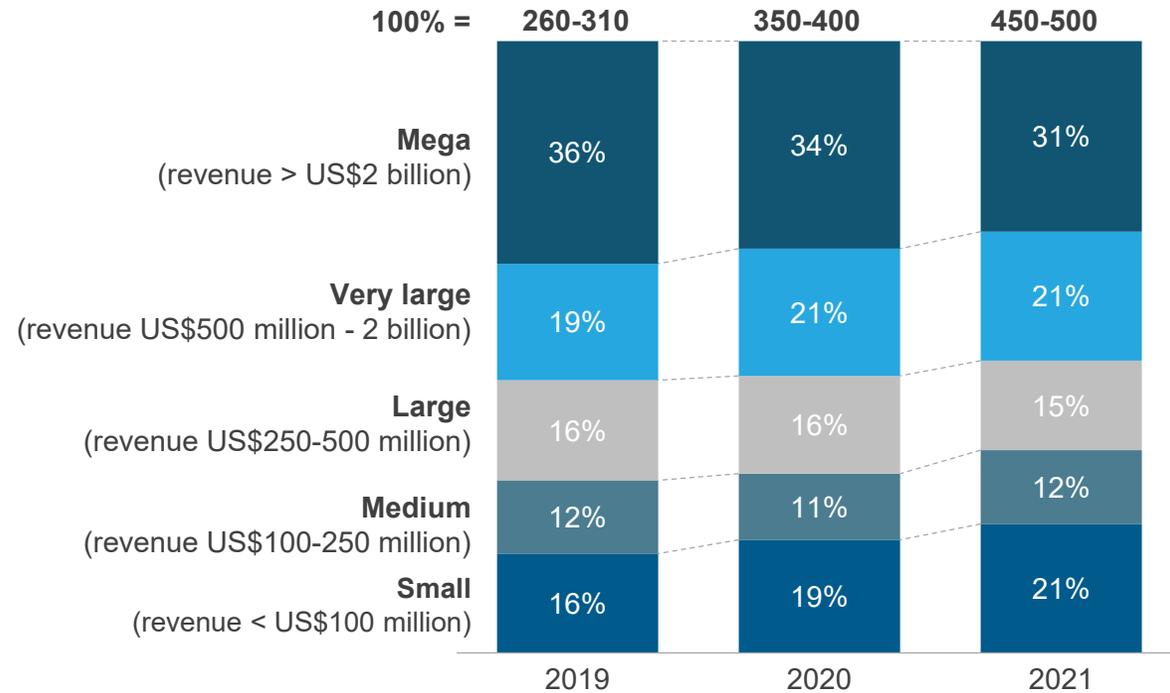
- While North American enterprises are at the forefront of collaborating with impact sourcing specialists, firms in emerging markets such as the Middle East and APAC have been proactive in engaging with specialists in recent years. Specialists here provide services across industries ranging from BFSI, healthcare, and hi-tech to e-commerce, retail, and AgriTech
- The demand for impact sourcing workers is expected to further rise globally driven by spiking attrition rates, growing talent demands, as well as high talent costs currently being observed in the outsourcing industry

Source: Everest Group (2022)

Impact sourcing specialists | client portfolio (page 2 of 4)

Enterprises with revenue greater than US\$2 billion are the major client segment catered to by impact sourcing specialists

Revenue split by buyer size
US\$ million; 2019-2021



- Due to high talent retention rates and quality-performance engagements, most of the large global enterprises collaborate with impact sourcing specialists on a long-term basis
- The impact sourcing industry has seen traction from a diverse clientele across small, medium, as well as large enterprises as a result of easier accessibility, evolving service capabilities, and the flexibility of the delivery models being adopted by impact sourcing specialists
- Large global enterprises are being motivated to form strategic partnerships with impact sourcing specialists to expand their internal DEIB initiatives with considerably reduced time, effort, and investment needed in tracing, hiring, training, and upskilling initiatives
- It is interesting to note that while social impact is an important aspect, it is not the sole motivation factor for clients to collaborate with impact sourcing specialists. Rather, it is the cost-effectiveness, productivity, efficiency of the impact workers, and the quality of output that strengthens ongoing engagements

Source: Everest Group (2022)

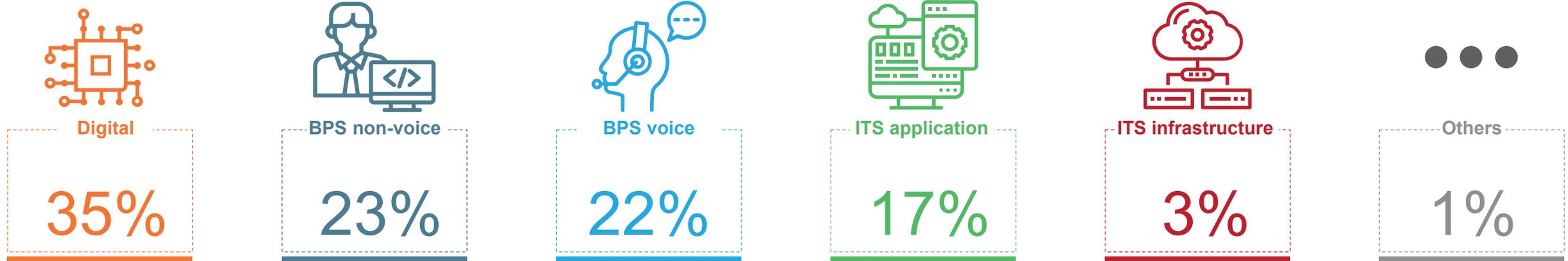
Impact sourcing specialists | client portfolio (page 3 of 4)

Impact sourcing specialists are delivering across a diverse spectrum of services ranging from back-office support to data labeling and annotation

Revenue split by lines of business

US\$ million; 2021

100% = 450-500



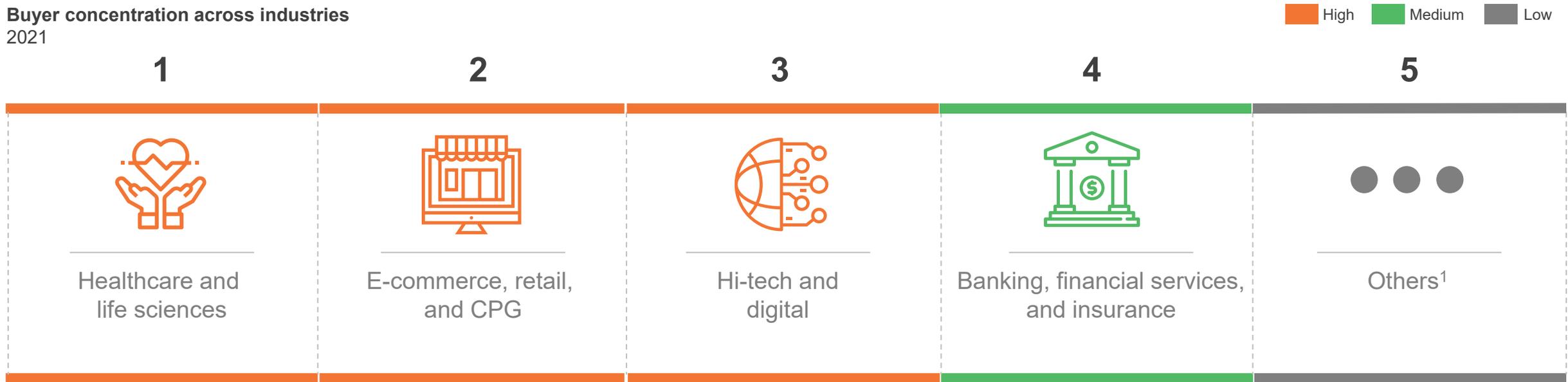
- Impact sourcing specialists are delivering across a **diverse spectrum of services** ranging from BPS services such as lead generation and back-office support to IT services such as digital transformation and data annotation
- A significant number of impact sourcing specialists are specializing in **digital domains with an accelerated demand for data labeling and annotation services with rising AI/ML adoption globally**:
 - **Digital Divide Data (DDD)** is a trusted partner to the world's leading organizations and enterprises for professional content, data, and AI/ML services such as data creation, data preparation, data annotation, ML content conversion, and digitization
 - **iMerit** is one of the leading impact sourcing specialists from India with proficiency in geospatial mapping which that has been used successfully for their clients in the agricultural and insurance sectors
 - Firms, such as **Bitwise**, are providing apprenticeship programs in the technology service and train the workers to become capable in traditional as well as emerging technology fields such as software development and cybersecurity

Source: Everest Group (2022)

Impact sourcing specialists | client portfolio (page 4 of 4)

Impact sourcing specialists see a higher collaboration with consumer-centric industries such as healthcare & life sciences, e-commerce, retail & CPG, and hi-tech

Buyer concentration across industries
2021



- E-commerce and hi-tech industries have seen the highest growth in the number of engagements with impact sourcing specialists along with an accelerated demand for impact workforce for ancillary data services needed for AI/ML such as data annotation and labeling, and NLP/NLG models
- Fortune 500 enterprises across industries from Disney to Amazon, Mastercard to TATA AIG Insurance, and Google to HUL have been collaborating with impact sourcing specialists for the past 10-15 years, and continue to do so, for a broad spectrum of IT/BPO services
- Impact sourcing has typically gained popularity among government institutions. Several government institutions, such as the NYC Department of Education and Andhra Pradesh Med Tech zone, employ impact sourcing workers through specialists

¹ Includes manufacturing, transportation services and government organizations
Source: Everest Group (2022)

04

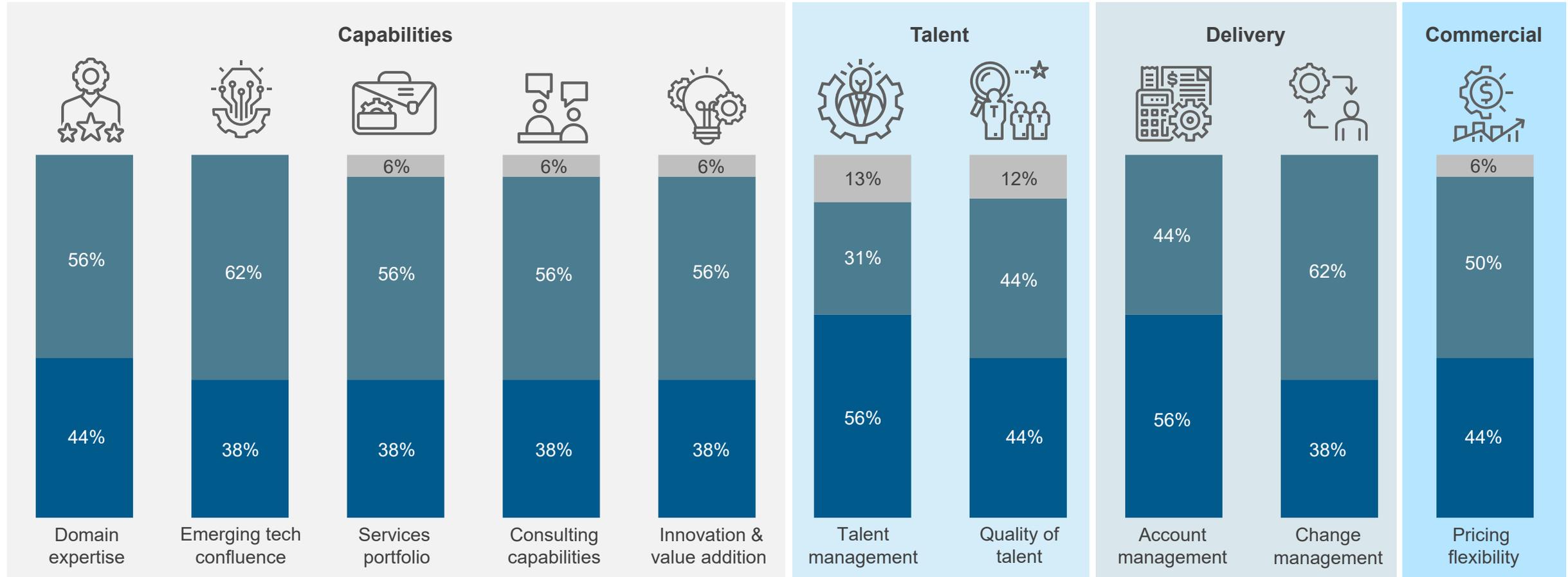
Buyer's take on impact sourcing

- Buyer satisfaction
- Buyer feedback
- Case studies

Most of the enterprises are more than satisfied on multiple parameters while evaluating their impact sourcing engagements

Buyer satisfaction across parameters
2021; % of buyers across different levels of satisfaction

Exceeds expectation Satisfied Needs improvement



Results of impact sourcing: buyers' experience

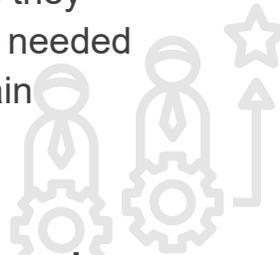
“ Scheduling is the most vital component of our service delivery process. What was taking three full-time schedule coordinators to complete now requires one full-time schedule coordinator; freeing up the time...and the solution has freed up ~ US\$150,000 annually...

– A California-based rehabilitation center ”



“ ...has been a great lever for us during COVID-19, as they are able to quickly provide resources that have been needed on short- and long-term basis due to impacts in certain regions, hiring delays in certain locations, emerging services...

– A large American multinational financial services corporation ”

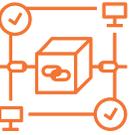


“ ...every time we've asked for something they've delivered or given us more...they're always thinking 2 steps ahead of us...

– Fortune 500 health insurance company ”



Case studies on impact sourcing engagement



	Case 1	Case 2
Objective	<p>Large US fintech partnered with an impact sourcing specialist to increase its processing capacity</p> <ul style="list-style-type: none"> • Required support for an existing data processing center • Needed a reliable team with specific expertise to execute tasks related to the lockbox services 	<p>Large US-based multinational technology corporation partnered with an impact sourcing specialist to run its client's P2P process</p> <ul style="list-style-type: none"> • Required support to run a client's complex procure-to-pay process, which operates in 75 countries and 16 languages • Needed to improve accuracy and while adhering to production targets
Solution	<p>Partnered with the impact sourcing specialist to leverage its proficiency in back-office operations to deliver the resource solution at the company's center</p>	<ul style="list-style-type: none"> • Leveraged an impact sourcing specialist's scalable solution provided • Implemented a three-way validation algorithm for document verification along with manual checks, if rejected by the system
Results	<ul style="list-style-type: none"> • Helped the client to increase its overall processing capacity and form a new team in record time • Achieved 99.9% accuracy in service delivery 	<ul style="list-style-type: none"> • Created 300+ jobs • Improved accuracy to 99.98% • Institutionalized value chain optimization analytics • Achieved 100% adherence to production targets

05

Appendix

- Glossary
- Research calendar

Glossary of key terms used in this report

ACV	Annualized Contract Value is calculated by dividing the Total Contract Value (TCV) by the term of the contract
BPS	Business Process Services refers to the purchase of one or more processes or functions from a company in the business of providing such services at large or as a third-party provider
Buyer/Client	The company/entity that purchases outsourcing services from a service provider of such services
Contract term	The duration of the outsourcing contract. It drives the schedule over which the buyer or service provider amortizes capitalized costs or the period over which Net Present Value (NPV) / Internal Rate of Return (IRR) is calculated
CXM	Customer Experience Management
DEIB	Diversity, Equity, Inclusion, and Belonging
FTEs	Full-time Employees on the rolls of the company
GIC	Global In-house Centers are service delivery operations in low-cost geographies, which are owned and operated by the same company receiving the services (i.e., not third-party outsourcing)
HRO	Human Resources Outsourcing is the transfer of ownership of some, or all human resource processes or functions to a service provider. This could include administrative-, delivery-, or management-related processes or functions
ITS	Information Technology Services is the transfer of ownership of some, or all information technology processes or functions to a service provider. This could include administrative-, delivery-, or management-related processes or functions
NLG	Natural Language Generation
NLP	Natural Language Processing
TCV	Total Contract Value is the potential revenue associated with the contract and estimated at the commencement of the contract (e.g., sum total of revenue accrued to the service provider from the contract over the entire contract term, usually measured in millions of dollars)

Research calendar

Sustainability Technology and Services

■ Published
 ■ Planned
 ■ Current release

Flagship reports

Release date

Decoding the Sustainability Opportunity in BFSI – Market Report	July 2021
Finance: a Cornerstone of Enterprise Environmental, Social, and Governance (ESG) Strategy	October 2021
Sustainability in Financial Services – The Next Big Opportunity in Data, Technology, and Services	December 2021
Environmental, Social, and Governance (ESG) Adoption in the Engineering Landscape	March 2022
Social Sustainability in Life Sciences: Connecting the Dots between Profit and Purpose	March 2022
The Growing Need for Inclusive Talent Models: Learning from Impact Sourcing Specialists	May 2022
Impact Sourcing Specialists Service Providers Compendium 2022	May 2022
Sustainability Enablement Technology Services PEAK Matrix® Assessment 2022	May 2022
Sustainability Enablement Technology Services Provider Landscape – Compendium	Q2 2022
State of the Market – Cloud 3.0 (Focus on sustainability and sovereignty)	Q2 2022
State of the Market – Sustainability Enablement Technology Services 2022	Q3 2022
Data and Analytics (D&A) for Sustainability	Q3 2022
Sustainability Software Vendor Landscape	Q3 2022
Talent for Sustainability	Q4 2022

Note: [Click](#) to see a list of all of our published Sustainability Technology and Services reports.



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Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91-80-61463500

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

Toronto

canada@everestgrp.com
+1-647-557-3475

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