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Sourcing Change: Digital Work Building Bridges to Professional Life

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Sheba Achieng Otieno and her siblings were raised by a single mother in a house made of sheet metal in one of Nairobi's massive urban slums. Sheba has one wish: to create a better life for her and her siblings than the one they were born into.

Sabun Ou dreams of becoming a lawyer and helping to end corruption in Cambodia. Born into a farming family and living with a physical disability, Sabun wants a life that takes him beyond his rural childhood and the constant teasing he received.

Syna Haung's family makes baskets. Her father ascends the mountains of Cambodia's Kampot Province three times a week to gather bamboo, which her mother weaves into baskets and sells, earning just enough to subsist on day by day. Syna studies marketing at university now and plans to start her own company.

Michael Chertok is a co-founder of Digital Divide Data and currently serves as Chief Development Officer. Previously, he was a Program Officer in the Global Development Program of the Bill & Melinda Gates Foundation. Chertok also was a co-founder and served as Managing Director of Global Catalyst Foundation, the philanthropic arm of a Silicon Valley venture capital firm, and was a Digital Vision Fellow at Stanford University. Prior to this, he helped start the non-profit organization Schools Online to bring Internet access and training to more than 5,000 schools around the world. He holds a BA in Russian Studies from Yale University and an MBA and a Certificate in Public Management from the Stanford Graduate School of Business.

Jeremy Hockenstein founded Digital Divide Data (DDD) as a social enterprise in 2001 and serves as Chief Executive Officer. DDD and Jeremy have been recognized with the Skoll Award for Social Entrepreneurship as well as awards from the World Bank Development Marketplace, the IFC Grassroots Business Initiative and the Global Knowledge Partnership. Prior to starting DDD, Jeremy worked as a management consultant with McKinsey & Company and as an international nonprofit consultant. He graduated from Harvard with a B.A. in economics and earned an MBA from MIT's Sloan School of Management.

These three young, motivated, and determined people are our colleagues. We work together at Digital Divide Data (DDD), a digital services company that spans three continents, Asia, Africa, and North America. Our company's purpose is to offer these talented youth a chance to connect to the global economy, to explore their personal and professional interests, to join a community of other young professionals, and to achieve their dream of living fulfilling and rewarding lives.

In the United States we would call Sheba, Sabun, and Syna young professionals, noting that they are the first generation in their families to go to college. However, the international development community is more likely to see them as part of the "youth bulge"—that is, the largest generation with the lowest employment rate the developing world has ever seen.

Through our work in Southeast Asia and East Africa, we see firsthand the critical global development challenge presented by youth unemployment. Half of today's world population is under 25 years of age; 90 percent of these young people live in poor countries and about 88 million do not have work. Many are growing up in slums and rural areas where there are very few jobs, and most jobs that exist are in the informal sector. According to the International Labor Organization, another 152 million youth subsist on jobs that offer no real path out of poverty. Policymakers, governments, and nongovernmental organizations (NGOs) are addressing the problem because a sizable youth cohort can quickly become a source of instability if youth unemployment is not addressed.¹ Equally important is the fact that so many young people are missing the opportunity work provides for personal development and for having a sense of purpose at a critical time in their lives.

Sheba, Sabun, Syna, and our other young colleagues in Cambodia, Laos, and Kenya have shown us that one solution to these challenges is impact sourcing, which is a way to leverage a \$300 billion industry known as business process outsourcing (BPO) to create jobs and opportunity.² As co-founders of Digital Divide Data, one of the pioneers of impact sourcing, we've seen how a private sector approach to development is succeeding where international aid often fails.

We are tremendously excited by the potential of impact sourcing to build young people's knowledge and skills and promote their long-term success, to develop talent in growing economies, and to drive economic growth. Yet we know that jobs alone are not enough. Impact sourcing can create large-scale opportunity for youth from poor families to develop themselves through education and employment, thus enabling them to build careers and lives that far surpass their childhood experiences of day-to-day survival. We envision a world in which members of the youth bulge can thrive and lead and create a better future for themselves, their families, and our planet.

The BPO industry, which involves contracting business functions out to third-party service providers, can serve as a catalyst for the young generation. Although some see it as an industry that chases low-cost labor, the sector employs several million people worldwide, especially in countries such as India, the Philippines, and China. In India alone, the BPO industry has grown from 1.2 percent of gross

domestic product in 1998 to 6.4 percent in 2011.³ In the Philippines, its growth has created more than 700,000 jobs.⁴

Call centers are the most visible part of this industry, but BPO also includes many types of back-office processing. From taking calls to helping consumers troubleshoot computer problems to providing back-office accounting functions, the industry has grown into a service behemoth that operates mostly unseen by consumers in North America, Europe, and Australia. There is no good reason to hide the reality of the people who deliver these valuable business services. Bringing BPO to the forefront of consumer consciousness will make businesses and consumers more aware of the challenges of an increasingly globalized world, propelling impact sourcing forward, and creating opportunity for youth worldwide.

The first decade of impact sourcing focused on setting up BPO companies like DDD that operate as social enterprises. These ventures fulfil both a business and a social mission by employing youth, women, and those with disabilities to deliver BPO services to global and local clients. These enterprises are now known as impact sourcing service providers, or ISSPs. They are gaining traction by delivering quality services and providing economic and social opportunities to individuals, communities, and economies.

In this article we share our experiences with the DDD model, a social enterprise we founded in 2001, which today employs 1,000 youth in Africa and Southeast Asia. More than 600 of our coworkers have earned college degrees with DDD's support while they worked in our BPO business. We offer examples of our business and youth partners and share what we learned as we refined a model that provides a sustainable solution to unemployment and poverty. These cases illustrate our vision of a world in which businesses can profit while helping the people they employ grow through education and employment. We also present some questions to guide policymakers and businesspeople who are considering using support impact sourcing to address the challenge of a world rich in young talent but short on opportunities for human development.

HOW WE STARTED

In 2001, Jeremy Hockenstein, then a consultant for McKinsey & Company, traveled to Angkor Wat and was struck by Cambodia's mixture of poverty and progress. Even though Cambodia had computer schools, few information technology (IT) jobs were available to graduates and there were no school-to-work programs to help them transition into formal-sector employment. Jeremy saw clearly that young people had limited chances to join the workforce and take part in the economic growth of a nation emerging from colonialism and war. With a group of friends, he established DDD to empower young people to leave poverty behind and become promising members of a globally and digitally connected workforce.

Jeremy then found Michael Chertok, a former teacher who had recently started a philanthropic fund at the Silicon Valley venture capital firm Global Catalyst

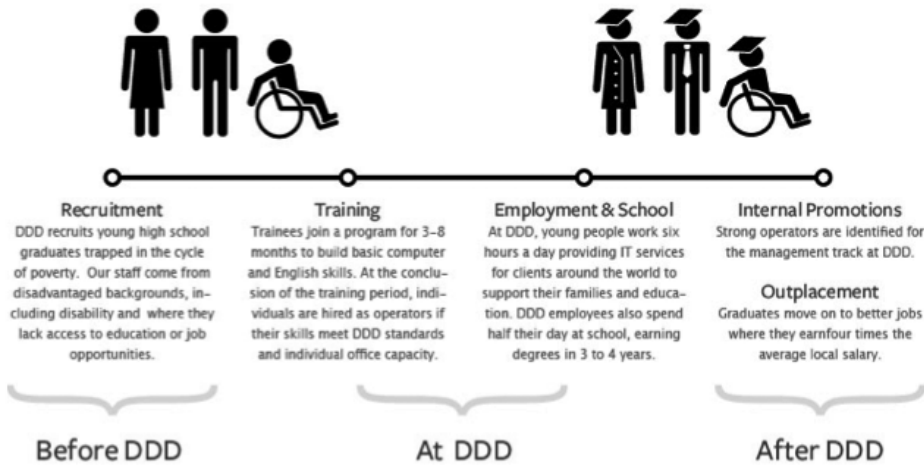


Figure 1. The DDD Model

Partners. While in college, Michael had done cost accounting data entry for a medical supply firm. The work was tedious at times, but it helped him pay for college and taught him many valuable lessons about work. Jeremy’s idea of a business that employed youth in Cambodia doing BPO work made sense to Michael, so the Global Catalyst Foundation made a granted of \$25,000 in seed funding to start the business.

The new venture showed early signs of success. Cyberdata, a BPO company in Delhi, India, generously offered to train two Cambodians in operations management. Another DDD cofounder, Jaeson Rosenfeld, secured a contract to digitize the historic archives of the Harvard University student newspaper, *The Crimson*. Within six months, the new business was generating enough cash to cover its operating costs.

In 2003, Michael left his job at Global Catalyst and headed for Cambodia to help grow DDD. At the time DDD was renting a storefront on a dirt road in Cambodia’s capital, Phnom Penh, and employed just 60 youth. Michael lived in a room above the office and worked with our colleague Gordon Peters to train a small cohort of managers and develop plans to grow the business. This group then opened new DDD offices in Battambang, Cambodia, and Vientiane, Laos.

Over the past decade, Jeremy and Michael have worked with many people from around the world to grow DDD and increase its socioeconomic impact on the youth who work in our offices in Cambodia, Laos and Kenya. Today DDD is managed by a team of six professional managers and governed by a committed board of directors. DDD is respected by leading corporations and institutions for the quality of its services and was ranked one of the top one hundred NGOs in the world by *The Global Journal*.

THE DIGITAL DIVIDE DATA BUSINESS MODEL: HOW DOES IT WORK?

We launched DDD in 2001, when Silicon Valley was coming off the dot-com boom and many companies started by the United States' best and brightest had gone bust. The idea that companies would outsource their work to poor people in a country like Cambodia seemed improbable. However, we saw that Cambodian youth had skills, needed jobs, and were willing to work hard. Our mission then and now is to create better futures for disadvantaged young women and men in emerging economies through employment in a financially sustainable social business.

At its core, DDD is a BPO business that provides digital services to clients locally and globally. We offer a range of business services, including data entry, records management, archive digitization, Web research, and digital marketing. DDD's services help our clients create greater value from their data, documents, publications, and archives; ensure that data are accurate; and make data accessible and searchable. DDD delivers these services to corporations, governments, NGOs, universities, publishers, and libraries worldwide. Our work enables clients to reduce costs, streamline operations, serve their customers more efficiently, and gain a competitive business advantage.

We are a socially responsible business in that our operations include a work-study program that helps young people to develop their skills. This program starts by recruiting youth from very low-income families, then provides training, and culminates in a long period of employment, during which the youth also earn a college degree (see figure 1). During the four years they work at DDD, young people have a chance to learn new skills and to take on increasing responsibility in their jobs. After a probationary period, they enroll in higher education, and DDD has a schedule that allows them to attend classes while earning enough to pay the full cost of tuition with a combination of scholarships and loans.

WHY FINANCIAL SUSTAINABILITY MATTERS

Financial sustainability is a core part of DDD's philosophy and in fact is written into our mission. With our backgrounds in nonprofits, philanthropy, and business, we saw the pitfalls faced by organizations that rely on philanthropic funding. Working in countries with a history of colonialism and a culture of dependency, we knew that our local managers took enormous pride in managing a self-supporting business. And we believed that the experience of working in a customer-centric business would be an ideal learning experience for youth aspiring to professional careers. Over time we learned that it was critical for our business not just to break even but to earn a profit. We structured a hybrid organization that runs for-profit companies in the countries where we operate and is owned by a U.S.-based nonprofit. This sends a clear message to our clients and staff that we mean business while ensuring that we stay true to our mission. DDD's business in Asia is now profitable; our aim is to earn enough to fully support the cost of our work-study program, such as scholarships.

In developing countries it is challenging to establish social enterprise models that can be sustained by earned revenue. We continually refined our model to do this at DDD, particularly by developing a more business-like culture. We now aspire to achieve greater financial independence by increasing revenue and profitability, and plan to enter new markets and build systems that will let us scale and replicate our model. It is a model for the young people we serve, who want to be self-sufficient and earn their own way.

WHAT IT MEANS TO DELIVER VALUE TO BUSINESS CLIENTS

Our clients seek reliable solutions to their problems; while some value our social impact, they will not pay more for it. To succeed, therefore, DDD must deliver not just the lowest cost but on-time quality services that meet clients' needs and enable their businesses to operate smoothly and profitably. As an impact-sourcing company, we partner with socially responsible customers who give our young employees the opportunity to solve their business problems.

Ancestry.com: Increasing Value through Collaboration

Ancestry.com, the largest genealogy company in the world, is an important client for DDD. Its business involves digitizing millions of images and transcribing hundreds of millions of records from those images every year. "Ancestry.com is here to help people discover and share their family history," says Todd Jensen, senior director of document preservation. Ancestry.com maintains over 40 million family trees and more than 11 billion records. Jensen is satisfied with how DDD handles his company's historical data and digitizes records to make them searchable for its customers.

Achieving that level of satisfaction has taken effort and collaboration. Jensen met with the DDD team in Nairobi, and he suggested specific training that would help them perform the work for Ancestry more quickly and accurately. Some of DDD's Kenyan staff has traveled to Provo, Utah, to meet with the Ancestry team. "Sometimes people ask us why we work with offshore partners," he said. "The answer is pretty simple: on scale, that's where the expertise is. DDD has a solid technical infrastructure with great, talented people." Jensen likes the fact that DDD takes the time to develop talent. "DDD has a particularly high emphasis on education—it's obviously an important part of the social model, but it also allows their employees to learn quickly, making them adaptable to work that changes requirements along the way."

Developing Youth Talent

In 2002, DDD hired a young man named Kunthy Kann. Kunthy grew up on a farm in Kampong Speu, a rural province of Cambodia, in a very poor family. Through his hard work and perseverance, he graduated from high school and enrolled in a computer-skills training program. About the same time another young man, Socheat Keo, also joined the program. Doing basic work with data at DDD they

both showed potential, so we gave them additional responsibilities and helped them earn bachelor's degrees. In 2003 they participated in management training, after which they wrote a business plan for a new office—the final stage of their training program, Kunthy and Socheat then opened DDD's office in Battambang, Cambodia's second largest city.

Kunthy and Socheat rapidly grew this business into a profitable operation employing one hundred people. When they left, another young DDD operator, Sopheap Im, was promoted to manage the office. She increased the staff to two hundred. Kunthy became head of DDD's Phnom Penh center, which eventually employed three hundred, making it the largest IT-based business in the country at the time. Kunthy recently was recruited to become the CEO of a rice mill. Socheat was promoted to manage the Phnom Penh operations and now oversees the work of a team of five hundred. Sopheap studied business in the United States, then returned to DDD's Phnom Penh office to manage a large and challenging client project.

At DDD, Kunthy, Socheat, and Sopheap discovered they had a knack for business and management. They developed their skills and capabilities by participating in several management training programs at DDD and by studying abroad. Kunthy, Socheat, and Sopheap are unusual in that DDD recognized their talent and commitment and promoted them to stay on as staff, but many other young men and women have used DDD as a platform to develop their strengths and to be successful in jobs outside DDD.

LEARNING FROM IMPACT SOURCING'S FIRST DECADE: EMPLOYMENT IS NOT ENOUGH

When we started DDD in the early 2000s, it was a pioneer in employing individuals from the base of the pyramid as the principal workers in a BPO business. Today that model is more widely known and is called impact sourcing. Dozens of BPO firms in countries as diverse as Bangladesh, Ghana, Haiti, Pakistan, and the United States deliver services to clients that are performed by individuals from disadvantaged backgrounds. In countries where the BPO industry is thriving, such as India and the Philippines, social entrepreneurs are bringing this model to rural areas to create employment and opportunity.

Through our experience building DDD, we have frequently thought about the impact we have made by empowering youth to emerge from poverty. While we knew that creating jobs was essential, we became convinced that providing digital work alone was not enough to bring people out of poverty. Our young employees needed a path for development, a route to developing skills and capabilities, and we needed to produce good outcomes if we were serious about helping our employees create better futures.

With our colleagues in Cambodia and Laos, we decided that the outcomes of our program should be personal development, skills development and socioeconomic development. Seeing that a job was not enough to help high school gradu-

ates obtain a better standard of living for themselves and their families, we especially aimed to create a lasting increase the income of youth after they worked at DDD. If the youth we hired could perform the work, we would commit to employ them for four years and give them the opportunity to complete higher education. This long-term intensive program has given our young employees greater economic stability than most had experienced in their lives. To date, more than 1,500 youth have participated in this work-study program and more than 600 have earned college degrees. Those who graduate from our program typically go on to higher-skilled positions. Based on data collected by a third-party evaluator who compared our outcomes with national census data, those who complete DDD's program in Asia earn far more than secondary school graduates in their country and on average even more than college graduates.

While we are inspired by the individual successes of DDD grads, it is the way these young professionals create a ripple effect of human potential by teaching others that drives us to promote impact sourcing as a development strategy. We've seen that many youth who take the step toward higher education also invest in education for their siblings. Sheba, our Kenyan coworker, is saving money to move her family out of the Mathare slums while she works at DDD, studies for a degree in accounting, and pays her brother's tuition. In our experience at DDD, we have found that the more we've believed in and invested in our young employees' dreams, the more ambitious those dreams have become.⁵

CAN IMPACT SOURCING WORK EVERYWHERE?

As we started to see the reality of bigger and brighter futures for the youth in DDD's program, especially as measured in higher incomes, we began to dream of reaching more youth. In our first ten years, DDD demonstrated the ability to manage a business sustainably, at modest scale, in two countries, Cambodia and Laos. In 2011, with support from the Rockefeller Foundation, we started operations in Kenya, where we replicated our model to create over 300 jobs, showing that our model can work on different geographies.. We are considering expanding to new locations, including Latin America, as we believe that impact sourcing has the potential to develop the capabilities of youth around the world, provided that businesses are willing to invest in building talent.

BRIGHT SPOTS IN IMPACT SOURCING AND YOUTH SOCIOECONOMIC DEVELOPMENT

As we think about the future of our field, we welcome some major shifts occurring.

Traditional Business Process Outsourcers Are Entering Impact Sourcing

While new ISSPs like DDD continue to start and grow, we're most excited by the interest from traditional BPO companies to incorporate impact sourcing into their existing business. For both business and social reasons, the BPO sector is starting

to consider ways to work in more rural areas, to employ new populations, and to partner with ISSPs.

Impact sourcing enterprises like ours have called on leading traditional BPOs to realize that it is possible to simultaneously operate profitably and pursue social responsibility. Industry leaders such as Accenture and Infosys, with their scale, expansive footprints, and strong customer bases, have an opportunity to create value on both sides of the equation. Some already are exploring how to staff operations with traditionally underemployed populations. In areas where their customers value it, they can provide new and existing clients with a double-bottom-line approach that generates both social and financial return through outsourcing, which resonates with potential buyers of these services.⁶

New Investments in Digital Jobs for Youth

At the 2013 World Economic Forum in Cape Town, South Africa, the Rockefeller Foundation announced the launching of its Digital Jobs Africa initiative with an extraordinary commitment to invest nearly \$100 million.⁷ The initiative will create an unprecedented number of employment opportunities in countries where technology is a critical lever for development. DDD is proud to be a partner in this initiative and optimistic that its focus on creating an “ecosystem” for impact sourcing in Africa, together with direct job creation, will provide an expanded and more innovative digital platform for youth self-development. Similar investments are being made by development funders, such as the Inter-American Development Bank in Latin America, and by Boeing, Cisco Systems, Microsoft, and other large corporations.

WHAT MORE IS NEEDED?

It is a new era for impact sourcing. With more than 12 years of experience, DDD is convinced that the next decade will produce growth across our segment and expand it into other industries, and that a new ecosystem among businesses and governments will make impact sourcing a standard for the way business is done globally. In order for that to happen, three things must be in place.

Increased awareness—and demand—from businesses, governments, and institutions for impact sourcing

Any business or institution that can outsource its work can “impact-source” it. When businesses come to understand and value the double-bottom-line return of impact sourcing, they can be influential in asking traditional BPOs to adopt impact sourcing. Much as some businesses have pressured suppliers not to use child labor, businesses can drive social change through their sourcing practices. We will need significant marketing to make this value proposition visible if we are to achieve increased demand for impact sourcing.

A shared definition of success.

What standards must be adhered to and what outcomes must be produced for an initiative to qualify as impact sourcing? We need a definition of success that establishes industrywide benchmarks for impact-sourcing initiatives. The lack of such a definition could lead companies to claim they are impact sourcing for token initiatives that provide employment without transformative outcomes. Any entity that claims to be impact sourcing should be prepared to demonstrate that employees' incomes are permanently increasing.⁸ There are many paths to that outcome, but above all we must not be creating another generation of working poor.

Extending impact sourcing beyond BPO

BPO services are just one example of goods and services that can be sourced in a way that produces a social return. So what else can be sourced for impact besides business services? We believe the principles employed in impact sourcing—targeted programs for skills-job matching, financial sustainability, socioeconomic inclusion—can be applied by companies in other industries. If impact sourcing is explored and developed further, other industries will be able to adapt this model to provide jobs and platforms for skill development for disadvantaged youth across the world.

The value chain of impact sourcing does not need to come from new ventures. In fact, by tweaking their mode of operating, traditional businesses can incorporate impact-sourcing practices into existing operations, including manufacturing, agricultural processing, and others that operate in emerging economies.

CONCLUSION

As ambitious as we are—and as proud as we are of our results—we at DDD are fully aware that impact sourcing currently employs fewer than 100,000 people and that tens of millions of youth are searching for opportunities to break away from poverty. We view this as a challenge, not only for ourselves and our colleagues in the impact-sourcing sector, but also for the general BPO industry, national and local governments, and the global business community.

DDD started with a few people who believed in a new way to do business. Now, hundreds of youth in Cambodia, Laos, Kenya, and other parts of the world have proved through hard work and dedication that the vision of impact sourcing is real. Hundreds of customers, investors, and volunteers have enabled this to happen. However, this shift in the way the BPO industry works is just beginning. For impact sourcing to succeed at the scale required to significantly address global poverty, people all around the world will have to advocate, innovate, and invest in solutions.

Sourcing Change

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8. For a definition of impact sourcing, see "Exploring the Value Proposition for Impact Sourcing." The study provided a working definition of what impact sourcing is: "It looks beyond the common source of supply for traditional outsourcing to provide higher-income employment and access to new income opportunities to individuals that might not otherwise be employed in this sector."