
Seminar 4: “Services in Global Value Chains: Key Issues for LDCs”

Pumela Salela
Developing Countries’ Opportunities in Services Outsourcing
WTO Building, Room B
27 March 2015
The World is One …
Follow the Sun = Increased Efficiency
The global Services Outsourcing Opportunity

The addressable market for Business Process Outsourcing and Offshoring will reach $1.5 trillion by year 2020.

McKinsey (2009)
BPO Trends & Globalization

The demand for Business Process Outsourcing (BPO) has outpaced IT Services in recent years as service offering maturities have increased.

Growth Rates (% CAGR)

- BPO - Global: 9%
- IT Services - Global: 7%
- BPO - Offshore: 25%
- IT Services - Offshore: 18%

Source: IDC
# Services Outsourcing Spectrum

<table>
<thead>
<tr>
<th>IT</th>
<th>Customer Management</th>
<th>eCommerce</th>
<th>Finance &amp; Accounting</th>
<th>Procurement</th>
<th>HR</th>
<th>Legal Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Help Desk</td>
<td>Customer Service</td>
<td>B2C eRetail Site</td>
<td>Procure to Pay</td>
<td>Source to Pay</td>
<td>Recruitment</td>
<td>Business Intelligence</td>
</tr>
<tr>
<td>Desktop Support</td>
<td>Customer Relations</td>
<td>B2B</td>
<td>Order to Cash</td>
<td>Sourcing</td>
<td>Compensation</td>
<td>Market Research</td>
</tr>
<tr>
<td>Data Center Operations</td>
<td>Customer Acquisition</td>
<td>Web Design</td>
<td>Record to Report</td>
<td>Support</td>
<td>Benefits Administration</td>
<td>Insurance</td>
</tr>
<tr>
<td>Management</td>
<td>Operations Support</td>
<td>Community</td>
<td>AP/AR</td>
<td>Supplier</td>
<td>Administration</td>
<td>Financial Services</td>
</tr>
<tr>
<td>Network Ops</td>
<td>CRM Support</td>
<td>Analytics</td>
<td>Collections</td>
<td>Research</td>
<td>Payroll</td>
<td>Industry Analytics</td>
</tr>
<tr>
<td>Voice Services</td>
<td>Out-Bound</td>
<td>Marketing</td>
<td>Fixed Assets</td>
<td>Supplier Training</td>
<td>HRIS</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>Application</td>
<td>Telemarketing</td>
<td>Web Hosting</td>
<td>Treasury</td>
<td>Contract Mgt.</td>
<td>Employee Data Mgt.</td>
<td>Analytics</td>
</tr>
<tr>
<td>Development</td>
<td>Specialty Help Desk</td>
<td>Fulfillment</td>
<td>Cash Mgt.</td>
<td>Market Intelligence</td>
<td>Procurement</td>
<td>Marketing</td>
</tr>
<tr>
<td>Application</td>
<td></td>
<td>Warehouse Mgt.</td>
<td>Financial Planning</td>
<td>Procurement</td>
<td>Analytics</td>
<td>Support</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
<td></td>
<td>Analytics</td>
<td>Spend</td>
<td>Spend Analysis</td>
<td></td>
</tr>
<tr>
<td>ERP Systems</td>
<td></td>
<td></td>
<td>Tax &amp; Compliance</td>
<td>Analysis</td>
<td>Performance</td>
<td></td>
</tr>
<tr>
<td>Co-Location</td>
<td></td>
<td></td>
<td>Expense Mgt.</td>
<td>Reporting</td>
<td>Reporting</td>
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</tr>
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</table>

**End-to-End Shared Services Capabilities**

- **Project Management Office**
- **Vendor Management Office**

**KPO**

- Knowledge Processing
  - Business Intelligence
  - Market Research
  - Insurance
  - Financial Services
  - Industry Analytics
  - Consumer Goods Analytics
  - Marketing Support

**Legal Processing**

- Law Firm Back Office
- Corporate Legal
- Document Review
- Intellectual Property
- Contract Mgt.
- Compliance
Impact Sourcing

- **Impact Sourcing** is the socially responsible arm of the Business Process Outsourcing (BPO) and Information Technology Outsourcing industry.

- Impact sourcing intentionally employs people who have limited opportunity for sustainable employment—often in low-income areas.

- It has the potential to transform the lives of disadvantaged people around the world.
Impact Sourcing: bringing traditional outsourced work to disadvantaged communities

- Impact 1: Organizational Savings Objectives
  - Cost savings achieved through outsourcing work to an area of lower cost base

- Impact 2: Organizational Growth Objectives
  - Growth objectives achieved when expanding operations

- Impact 3: Company Corporate Social Responsibility Objectives
  - Corporate social responsibility objectives are realized with Impact Sourcing

- Impact 4: Broader Community Impact
  - The largest impact is that realized by the wider local community

Traditional Outsourcing vs. Impact Sourcing
Models

* ISSP’s = Impact Sourcing Service Provider

Client → ISSP

Client → ISSP 1

Client → ISSP 1 (A)

ISSP 1 → ISSP 2

ISSP 1 (B) → ISSP 1 (A)

ISSP 1 (B) → ISSP 1 (A)
The Multiplier Effect
Stakeholders

Youth

Donor funding

Government

Civil Society

Private Sector
## Role of Stakeholders

<table>
<thead>
<tr>
<th>STAKEHOLDER</th>
<th>ROLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOVERNMENT</td>
<td>• Enabling environment • Direct Market &amp; Industry • Encourage activities in underserved areas</td>
</tr>
<tr>
<td></td>
<td>• “Carrot or Stick” methods • Incentives, Laws, Regulation, Policy Innovation, Economic Development,</td>
</tr>
<tr>
<td>PRIVATE SECTOR</td>
<td>• Impact Investors • Balance: Profits + Philanthropy • Social Agenda: Hire poor people</td>
</tr>
<tr>
<td>CIVIL SOCIETY</td>
<td>• Hold government and industry accountable • Mobilize for infrastructure provision</td>
</tr>
<tr>
<td>YOUTH</td>
<td>• Innovation &amp; Entrepreneurship</td>
</tr>
<tr>
<td>DONOR FUNDING</td>
<td>• Awareness, Funding &amp; Support • Training + Capacity Building</td>
</tr>
</tbody>
</table>
Phased Implementation Roadmap for Colombia

Vision:
Colombia to be a significant contributor in the provision of the 780,000 jobs to be created by Impact Sourcing by 2015

Infrastructural Enablers
Telecommunications, Electricity, Buildings

2014-15

SMME & Enterprise Architecture Development
Human Capital Training & Skills Development
Connecting small ISSP's with established BPO's
Unlocking Domestic Anchor Demand e.g. procurement
Incentives for both buyers and sellers

Adapted from: Pumela Salela, Impact Sourcing, The 2014 ANDI Outsourcing Summit
# Impact Sourcing Challenges

<table>
<thead>
<tr>
<th>DEMAND CONSTRAINTS</th>
<th>POSITIONING &amp; BRANDING</th>
<th>SUPPLY CONSTRAINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Accessing Large Clients and Contracts</td>
<td>• Growing Impact Sourcing in countries with New/ Limited BPO Industries</td>
<td>• Accessing Infrastructure in Rural/areas with low employment.</td>
</tr>
<tr>
<td>• Creating Anchor Demand from Local Clients</td>
<td>• Positioning and Branding Impact Sourcing to Clients</td>
<td>• Recruiting, Employing and Training the real Base of the Pyramid Workers</td>
</tr>
<tr>
<td></td>
<td>• Navigating the Political Impacts of Offshoring</td>
<td>• Avoiding the Race to the Bottom</td>
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<td>• Identifying investors in newer ISSP’s</td>
</tr>
</tbody>
</table>
Impact Sourcing Policy Framework
Scalability of Impact Sourcing

• **SKILLS** - Continuous supply of skills

• **CAPITAL** - Human Capital
  - Infrastructure (ICT in rural areas)
  - Training and Skills Development

• **DEMAND** - from Government
  - from large BPO Companies
  - from Direct clients

• **INNOVATION** + New Business Models that solve old problems
Sustainability of Impact Sourcing

- Impact Sourcing Policies
- Enabling Environment
- Impact Sourcing Associations
- Fostering Entrepreneurship to promote job creation
Digital Jobs Africa aims to impact 1 million lives in six countries in Africa by catalyzing sustainable Information Communication Technology-enabled (ICT) employment opportunities and skills training for high potential African youth, thereby generating social and economic opportunities for those employed, their families and communities.

https://www.youtube.com/watch?v=KJR0c5_85CY
Impact Sourcing: Doing Business Whilst Doing Good

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