10 Meeting Social Objectives with Offshore Service Work: Evaluating Impact Sourcing in the Philippines

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Introduction

Impact sourcing has recently emerged as a subfield of the global ICT-ITES (information and communication technology–information technology enabled services) sector and is premised on the potential of balancing commercial interests with socioeconomic development (Malik, Nicholson, and Morgan 2013). As defined by Carmel, Lacity, and Doty (2016, 19), impact sourcing involves the practice of hiring and training marginalized individuals, who normally would have few opportunities for good employment, to provide information technology, business process, or other digitally enabled services. Its ambition is to deliver high-quality information-based services produced by marginalized groups in (predominantly) the Global South. Impact-sourcing service providers mediate between clients and employees to balance the dual objectives of providing high-value services at low cost for clients and meaningful employment to marginalized individuals by giving them access to IT-enabled service jobs (Madon and Ranjini 2016). Because ICTs connect workers to work irrespective of their location (Friedman 2005; Levy 2005), these technologies could help overcome the social, cultural, and physical barriers that might otherwise exclude marginalized groups from participating in the labor market (Monitor Group 2011; Everest Group 2014).

The Rockefeller Foundation has been the leading global institution promoting impact sourcing. It launched its Digital Jobs Africa Initiative in 2013 and commissioned key reports by the Monitor Group (2011), Avasant (2012), Accenture (Bulloch and Long 2012), and Everest Group (2014). These reports have mainly focused on the incentives for clients to purchase services from impact-sourcing service providers. In addition, a growing

number of scholars have recently taken an interest in impact sourcing. Some studies have approached the model from an entrepreneurial angle and analyzed the seemingly contrasting social and commercial aspects of impact sourcing on service providers' strategic decision making (e.g., Gino and Staats 2012; Nicholson et al. 2015; Sandeep and Ravishankar 2015b) and on how they position themselves in the local community (e.g., Sandeep and Ravishankar 2015a). Other studies have examined the effects of impact sourcing on service workers (e.g., Heeks and Arun 2010; Lacity, Rottman, and Carmel 2014; Madon and Sharanappa 2013; Malik, Nicholson, and Morgan 2013) and on their local communities (see Madon and Ranjini 2016). Some scholars suggest that impact sourcing has the potential to foster socioeconomic development in the Global South by providing (direct and indirect) employment to marginalized communities and by enhancing their knowledge and skill sets (Heeks and Arun 2010; Madon and Sharanappa 2013; Malik, Nicholson, and Morgan 2013; Madon and Ranjini 2016).

Beyond the evidence provided by these pioneering case studies of individual impact-sourcing initiatives, knowledge is still limited on its success in implementation across different local contexts and its effectiveness in reaching out to marginalized individuals. In this chapter, we examine how impact sourcing operates at the intersection of a commercial logic and a social welfare logic. As a pro-poor model, it offers a good exemplar of how the information and communication technologies for development (ICT4D) debate has evolved, from an initial focus on ICT availability to help the poor become users of digital content (Heeks 2009; Avgerou 2010) by using ICTs as a tool for income generation, such as by doing work online (Heeks 2009), to a focus on their impact, by achieving social and economic development goals (Heeks 2009). As argued by Heeks (2009, 11), ICTs seem well understood as tools for delivering information and services to the world's poor. Where they have so far been little understood is as tools the poor can use to create new incomes and new jobs (Heeks 2009).

As a case study for examining whether impact-sourcing initiatives are effective in providing employment to marginalized individuals, we focus on the experiences of an impact-sourcing venture in the Philippines. Where previous studies have mainly looked at initiatives in India, we look at a venture established by Visaya Knowledge Process Outsourcing (Visaya KPO) in Tanjay, a small city located in the central Philippines. The country is one of the largest beneficiaries of international offshoring of ICT-ITES activities

(IBPAP 2012; Tholons 2014; Usui 2012). Yet, only a few impact-sourcing ventures have started so far. As the most prominent example, Visaya KPO provides a useful case for examining who benefits from this new initiative and how a balance is sought between simple contract fulfillment and creating positive societal change. This chapter is based on semistructured interviews with the management and workers involved in Visaya KPO. At the managerial level, we examine the choices and rationale behind the initiative. At the workers' level, we consider the service workers involved in the initiative and their perceptions of their employment status. An important issue in impact sourcing is whether it reaches the poorest and neediest people (e.g., Heeks and Arun 2010; Nicholson et al. 2015; Sandeep and Ravishankar 2015a).

In this chapter, we first review the current state of the literature on impact sourcing and examine how it functions at the intersection of ICT4D and mainstream ICT-ITES service delivery. We then explain the research methodology we used for this study before elaborating on the present state of impact-sourcing initiatives in the Philippines. Subsequently, we concentrate on Visaya KPO's impact-sourcing initiative and how it finds its balance between a commercial logic and a social welfare logic. The chapter then focuses on the management's rationale behind the geographic location selected and the socioeconomic profile and perceptions of the service workers it employs.

Literature Review: Impact Sourcing

In the past two decades, millions of IT-enabled services jobs have been relocated, or "offshored," from the United States and Europe to low-cost economies around the world (Lambregts, Beerepoot, and Kloosterman 2016). What started with low-end IT activities being moved from the United States to India has grown into the large-scale migration of multivarious service production activities from advanced to developing countries. Digital technologies have enabled new activities to take root in developing countries and have encouraged these nations to envision new strategies for national development (see Graham 2015). One concern with the rise of the ICT-ITES sector is how access to employment in the sector is highly uneven, and how the sector might even perpetuate inequality in developing countries (Krishna and Pieterse 2008; D'Costa 2011). Jobs are highly concentrated in urban areas and, in most cases, require a college education

(Beerepoot and Hendriks 2013; Kleibert 2015). For ICTs to provide inclusive employment requires experimenting with new delivery models for IT-enabled services, such as impact sourcing, and identifying new production locations.

Various authors who have studied impact sourcing view it as an ICT4D model because its ambition is to provide ICT-enabled employment to marginalized groups (see Malik, Nicholson, and Morgan 2013; Nicholson et al. 2015). The general objective of ICT4D is to improve socioeconomic conditions in developing countries through the use of ICTs (Avgerou 2010). In early conceptualizations of ICT4D, the focus was on providing marginalized communities access to ICTs as a source of information and knowledge (Heeks 2009; Avgerou 2010). More recently, rather than viewing marginalized communities as passive consumers, ICT4D regards them as active innovators and producers of digital content (Heeks 2009). It is here that impact sourcing, if it pursues a social welfare logic, can be positioned in fulfilling ICT4D objectives. Some authors, however, have highlighted the tension within the impact-sourcing model between pursuing a commercial logic (e.g., effectively competing with mainstream ICT-ITES service providers) and adopting a social welfare logic (e.g., providing income and training to marginalized groups; Nicholson et al. 2015; Sandeep and Ravishankar 2015b). To clarify how stakeholders in impact sourcing balance these logics, we provide an overview of existing studies on impact sourcing in this section. Herewith we focus on four groups of stakeholders involved in the impact-sourcing ecosystem: the clients of impact-sourcing services, service providers, service workers, and the communities in which they reside (Carmel, Lacity, and Doty 2016).

Consultancy reports commissioned by the Rockefeller Foundation have focused mostly on the first two stakeholders. Following Emerson (2003) and Porter and Kramer (2011), they have high expectations for impact sourcing to scale up over time because it offers a "win-win" scenario (Bulloch and Long 2012; Everest Group 2014). For clients, the Everest Group (2014) and the Monitor Group (2011) highlight the business value proposition when buying services from impact-sourcing service providers. Compared with mainstream ICT-ITES service providers, impact sourcing enables employing a low-cost untapped talent pool. At the same time, impact sourcing helps businesses meet internal corporate social responsibility (CSR) objectives by providing meaningful and relatively high-income employment to

marginalized individuals (Bulloch and Long 2012; Everest Group 2014). Optimistic accounts highlight how impact-sourcing service providers aim at "doing well by doing good." They "do good" by reaching out to marginalized communities, as a result of which they "do well" by having a competitive advantage over mainstream ICT-ITES service providers (Bulloch and Long 2012; Avasant 2012; Monitor Group 2011).

Various scholars have added to these reports by examining how impact-sourcing service providers balance a social welfare and a commercial logic. For example, Gino and Staats (2012) focused on the business model of Samasource, one of the most prolific service providers in impact sourcing. They found that rather than putting social welfare at the core of the business model, the organization operates like any mainstream ICT-ITES service provider, by aiming at the delivery of high-value services at low cost. According to Samasource's mission statement, the company's goal is "to connect poor people to the digital supply chain so that they can earn a living and build valuable skills. But it accomplishes that goal by running a business that delivers high value at low cost" (Gino and Staats 2012, 96). In a similar vein, Nicholson and colleagues (2015) and Sandeep and Ravishankar (2015b) argue that impact-sourcing service providers find themselves having to operate between a social welfare logic and a commercial logic. The researchers refer to impact-sourcing service providers as "hybrid organizations," which speak a different language to clients than to service workers and the communities in which they reside. While emphasizing local social and economic development in their interaction with workers and their communities (Sandeep and Ravishankar 2015a), to clients they speak the language of competition and profit (Nicholson et al. 2015). Although their long-term existence as impact-sourcing service providers hinges on their capability to speak both languages, they consider it most important to master the latter one (Nicholson et al. 2015; Sandeep and Ravishankar 2015a). Accordingly, Nicholson and coauthors (2015) find that when choosing the location for impact-sourcing ventures and recruiting service workers, impact-sourcing service providers often let commercial motivations prevail.

Service Workers and Their Communities

Notwithstanding these compromises, in examining social and economic development, scholars have identified a range of benefits for service

workers involved in impact sourcing. For example, Lacity, Rottman, and Carmel (2014) focused on US prison inmates and found that in-prison employment with an impact-sourcing initiative increases incomes, elevates inmates' social status in prison, builds their self-efficacy, and strengthens their human capital. When studying impact sourcing in the Global South, scholars have been guided by the ICT4D debate and international development literature. Malik, Nicholson, and Morgan (2013) and Madon and Sharanappa (2013) assessed the social development implications of impact-sourcing organizations in India by using Amartya Sen's capability framework (see Sen 2000), and Heeks and Arun (2010) drew from the sustainable livelihoods framework (see DFID 1999). They all found that impact sourcing brings various developmental benefits to service workers, including rising incomes, as well as strengthening social networks and human capital, that is, operational computer skills, English language skills, and knowledge of ICT (Heeks and Arun 2010; Malik, Nicholson, and Morgan 2013; Madon and Sharanappa 2013). Moreover, they found that involvement in impact sourcing helps service workers build their self-esteem and improves the social empowerment of female workers, who experience greater respect, recognition, and acceptance within their families (Heeks and Arun 2010; Madon and Sharanappa 2013; Malik, Nicholson, and Morgan 2013).

Evidently, the social and economic benefits gained by service workers spill over to their communities (Heeks and Arun 2010; Madon and Ranjini 2016; Madon and Sharanappa 2013; Malik, Nicholson, and Morgan 2013). Employment in an impact-sourcing initiative could positively influence children's futures if it increases spending by service workers on their children's education (Heeks and Arun 2010; Malik, Nicholson, and Morgan 2013). Moreover, the increase in income among service workers provides an injection into the local economy through their consumer expenditures (Heeks and Arun 2010; Madon and Ranjini 2016). As a result, small-time local vendors may flourish. To date, however, no structural impact assessments have been conducted on these spillover effects and how the recipient communities benefit.

Although various authors have examined the developmental outcomes of impact sourcing on service workers and, to a lesser extent, on the community in which they reside, more research is needed to understand more precisely who enjoys the aforementioned benefits. This issue is important to address because of the hybrid nature of the impact-sourcing business

model, in which service providers find themselves having to compromise on the degree to which their employees are socially or geographically marginalized (Nicholson et al. 2015). Yet, before examining how impact sourcing balances social welfare and commercial logics, and how this affects the extent to which the model offers employment to marginalized individuals, we provide the methodological underpinnings of this chapter.

Research Methodology

The case study for this research is an impact-sourcing initiative established and run by Visaya KPO in Tanjay, Negros Oriental, a province in the central Philippines. We conducted our field research between September and November 2015, selecting Visaya KPO out of four impact-sourcing ventures that we identified in the Philippines. The other three initiatives were Data-Motivate, Digisource, and Mynd Consulting. Together they employ around 450 workers. We approached all four initiatives and formally interviewed or informally spoke with their managerial staff. For pragmatic reasons, we then selected Visaya KPO as a case study. The managers of this venture, as well as one of its clients and its service workers, were most accommodating and willing to contribute to this research.

We became aware of the existence of Visaya KPO via the Department of Information and Communications Technology (DICT), a Philippine government department responsible for supporting the country's ICT-ITES sector. With its help, we established contacts with the CEO, vice president, and operations manager of Visaya KPO as well as with two stakeholders from Accenture, who had initiated the initiative and played a key role in its establishment. With them, we held semistructured interviews to gain an understanding of the managerial choices and rationale behind the initiative. We asked about the interplay of a commercial logic and a social welfare logic as well as about the long-term prospects of employment offered by Visaya KPO. In addition, we conducted semistructured interviews with 30 of the 116 workers employed by Visaya KPO to identify their socioeconomic profiles, their professional histories, and their perceptions of their employment status. We employed purposive sampling to get a diverse group of respondents in terms of employment duration (ranging from only a few months to two years). Thirteen respondents were male, and seventeen were female. The interviews, on average, lasted one hour and were

recorded, transcribed, and analyzed by grouping and cross-comparing the data under the key themes that the research focused on. Finally, informal conversations and observations in Tanjay served to cross-check the findings derived from the interviews and helped us get an initial understanding of the socioeconomic impact that this venture has on the local community.

Impact Sourcing in the Philippines

The Philippines is a lower-middle-income country with 25.2 percent of the population living on less than US$1.25 per day in 2012 (World Bank 2016). Starting at the beginning of the current century, the country followed in the footsteps of the world's number-one service offshoring destination, India, and became a major service offshoring hub (IBPAP 2012; Tholons 2014; Lambregts, Beerepoot, and Kloosterman 2016). Over the years, the Philippine ICT-ITES sector advanced from a multimillion-dollar industry ($350 million in export revenues in 2001) to a multibillion dollar industry ($18.4 billion in export revenues in 2014; Satumba 2008, 14; Remo 2015), employing around one million workers in 2014 (De Vera 2014). These workers mainly conduct services in business process outsourcing (BPO) centers at the lower end of the value chain (e.g., customer services, back-office services, and data processing; Kleibert 2015). The sector initially concentrated in a few large urban areas, with an estimated 80 percent located in Metro Manila (IBPAP 2012; Kleibert 2015), and provided employment to only a narrow labor market segment of young, urban, highly educated people (Mitra 2011).

Compared to the country's mainstream ICT-ITES sector, impact sourcing is still of negligible size in the Philippines (and elsewhere). This can be attributed to the offshoring of IT-enabled services to developing countries still being a recent phenomenon (see Lambregts, Beerepoot, and Kloosterman 2016). In this initial stage, Metro Manila in the Philippines and the six largest metropolitan areas in India emerged as the first entry points into both countries. More recently, firms have started to look beyond the common labor pool (Marasigan 2016), expanding production to class two and even class three cities (Tschang 2011).[1] Impact sourcing is part of the process to look for new production locations and to test new delivery models (see also Monitor Group 2011). As a CSR strategy, it fits the ambition of many companies for their CSR activities to stay close to their core competencies

and result in a deeper engagement with local communities than traditional philanthropy could achieve (Emerson 2003; Porter and Kramer 2011).

Visaya KPO established an impact-sourcing initiative in Tanjay in July 2013. The multinational Accenture backed the rural impact-sourcing efforts of Visaya KPO by guaranteeing that it would outsource some of its service tasks to the company. Visaya KPO took on the role of for-profit impact-sourcing service provider and started with 20 impact workers. Thereafter, it attracted additional for-profit clients, which led the number of workers to increase to 116 by late 2015. For the Accenture account, workers operate as virtual assistants (e.g., making room reservations) for the offices in Metro Manila or Cebu City, a low-skilled task, which suggests that Accenture is not (yet) too ambitious in terms of delegating work to its impact-sourcing unit. Other work includes medical transcription for a US-based company and outbound sales for college education programs in the United States.

Empirical Results

This section focuses on the organizational motivations underpinning Visaya KPO's impact-sourcing initiative. We discuss the profile of service workers it reaches, as well as the socioeconomic effects on the local community.

Balancing Commercial and Social Welfare Logics

Visaya KPO's impact-sourcing initiative was initially triggered by a social welfare logic. Like the impact-sourcing ventures examined by Sandeep and Ravishankar (2015b), and following Porter and Kramer (2011), Visaya KPO emanates from Accenture's desire to create economic value in a way that also has positive outcomes for the community surrounding its operations. Accenture is one of the largest international providers of ICT-ITES services. In the Philippines, it employs approximately thirty-five thousand workers in Metro Manila and Cebu City (Hidalgo 2015). Inspired by the Rockefeller reports and based on the success of its earlier initiatives in India, Accenture presented to Visaya KPO the idea of a "rural BPO" (Accenture manager interview, October 7, 2015). Accenture's interest in impact sourcing illustrates how the model is gaining recognition among mainstream ICT-ITES service providers. For the multinational firm, this meant meeting its CSR objectives by providing high-income employment in an area where people had few such opportunities. The salaries in Visaya KPO range from

10,000 to 17,000 Philippine pesos ($200–$340) per month and are well above the average local monthly salaries of 3,000 to 4,000 PHP ($60–$80). Provincial differences in wage standards (based on variety in the local cost of living) make it attractive for companies to look beyond Metro Manila, where entry-level positions in the ICT-ITES sector have a salary of 21,000 to 24,000 PHP ($420–$480) per month. Although the rationale behind the initiative was to stimulate social and economic development, in its practical establishment, this logic was intersected with one that is "rooted in profit and competition" (Nicholson et al. 2015, n.p.), as best illustrated by the cost savings from lower local salaries in Tanjay.

Accenture demanded that the quality standards applicable to all of their offices in the Philippines be met. For Visaya KPO, rather than recruiting personnel among marginalized communities, the focus was on establishing a venture that could compete with mainstream ICT-ITES service providers in, for instance, Metro Manila. To be cost effective, Visaya KPO needed to attract other clients as well. The management of Visaya KPO feared that a rural location, where operating costs would be relatively high and the pool of qualified workers smaller, would complicate this. One manager said, "It's a lot harder sell for me to tell my client, 'I will do your process in the town of Tanjay.' Then they're going to say, 'Where is that?' … They have to be concerned about downtime. They have to be concerned about service-level quality" (Visaya KPO manager interview, October 15, 2015).

A similar story was conveyed by a representative from DataMotivate, who argued, "One of the things that we try to balance is [to] tell the story of the social impact. Because the experience is that most clients don't care about that. So we basically compete on quality and price, just like any other BPO" (DataMotivate manager interview, November 26, 2015).

These anecdotes indicate how, contrary to Accenture, which refers to the venture in Tanjay as "impact sourcing," service providers can be anxious to sell their initiatives to clients under that label. Similar to impact-sourcing ventures in India (Sandeep and Ravishankar 2015b), they feared that to market themselves as impact-sourcing service providers would raise doubts about the quality of their service delivery.

To establish a profitable and competitive venture, Accenture and Visaya KPO let a commercial logic prevail when selecting a location. They required a place that had high-quality electricity, telecommunications, and Internet infrastructure. Moreover, they insisted on colleges and a university being

nearby to serve as feeder pools for workers. This pool needed to be sufficiently large as to allow the initiative to scale up over time. Although many smaller provincial cities would have met these requirements, personal motivations eventually led to the selection of Tanjay (the hometown of one of the initiators).

Tanjay is a class-four provincial city of approximately seventy-nine thousand inhabitants (PSA 2010). Its main sources of income are sugarcane, farming, and fishing (PSA 2016). It accommodates two colleges, whose graduates, because of the lack of local opportunities, tend to leave the community to find jobs elsewhere in the Philippines or abroad. A Visaya KPO manager explained the city selection: "So why tier four? We wanted to go for the least capable [of] economic output but also … able to sustain the size of manpower that we need. So if you go to a class five or a class six. … if you go too low, you won't be able to get enough manpower" (Visaya KPO manager interview, October 21, 2015).

The choice of Tanjay aligns with location choices in impact-sourcing ventures studied by Madon and Sharanappa (2013) and Malik, Nicholson, and Morgan (2013). They examined initiatives in India, located twenty kilometers from Ranchi, capital of Jharkhand state, and forty kilometers from New Delhi. The closest larger city to Tanjay is Dumaguete, the provincial capital, located thirty kilometers away. Dumaguete is home to a range of colleges and universities, as well as BPOs run by mainstream ICT-ITES service providers. This demonstrates how impact-sourcing ventures are restricted in their geographic outreach, as digital connectivity and availability of human resources are critical for their establishment.

Profiling Service Workers and Their Communities

With Accenture and Visaya KPO purposely selecting a location with colleges and a university, all respondents had a high school degree and had proceeded to college after graduating. Their demographics resemble service workers employed by an impact-sourcing venture in India, who, on average, had 13.5 years of education (Heeks and Arun 2010). Moreover, the respondents' educational qualifications are similar to those employed in mainstream ICT-ITES contact centers in the Philippines (Bird and Ernst 2009; Mitra 2011; Beerepoot and Hendriks 2013). Among the thirty respondents in our research, two-thirds are college graduates with a background in information technology, business administration, nursing, marketing,

or communication. For workers who had not finished a college education, Visaya KPO offered income opportunities unavailable to them in the mainstream Philippine job market. In line with general observations on the Philippine BPO sector (see Marasigan 2016), academic qualifications are less of a requirement for employment with Visaya KPO.

The majority of respondents classified their family as being part of the middle class, similar to the backgrounds of service workers employed in the mainstream ICT-ITES sector (Mitra 2011). Moreover, like mainstream service workers (see Bird and Ernst 2009; Mitra 2011), most respondents were thirty-five years old or younger. Against the background of impact-sourcing objectives, it was surprising to find that most respondents had formerly been employed in mainstream ICT-ITES contact centers for a period ranging from seven months to five and a half years. Before the establishment of Visaya KPO in Tanjay, they used to be employed in Metro Manila, Cebu City, Bacolod City, or Dumaguete. As such, the initiative was given a head start, as many workers already had experience in BPO work. Training on the job took just one month and focused on the specific line of business that they worked on. All respondents viewed Visaya KPO as just another mainstream ICT-ITES service provider and were not familiar with the term "impact sourcing," nor were they aware of their part in a multinational firm's CSR initiative.

Regardless of whether the initiative directly reaches marginalized workers, any sizable new business venture in a small town like Tanjay has a positive socioeconomic impact, especially when salaries are much higher than the local average. Respondents mentioned that they favored not having to commute to Dumaguete or move to larger cities like Cebu City or Metro Manila. Employment in their hometown enabled workers to spend more time with their families. Female respondents with young children or family members who needed care were particularly likely to mention that because of Visaya KPO, they are able to earn a relatively high income while staying close to their families. One woman noted that the Visaya KPO office in Tanjay was "very accessible to me, in our house. If it's our break, I can check my kids, and then go back to the office" (Visaya KPO service worker interview, October 26, 2015). Another recalled, "When I was four years old, my mother went to Hong Kong to work. I don't want my son to experience that. … It's not easy to grow up without a mom. … As long as I can have a living here in Tanjay" (Visaya KPO service worker interview, October 27, 2015).

Along with social development, the spread of BPO work to smaller towns adds to economic growth beyond the country's congested major cities. While we lack evidence on the number of indirect jobs generated in Tanjay, optimistic accounts elsewhere (NASSCOM 2010; Kite 2014) suggest that every job in the ICT-ITES sector generates four additional jobs in support services (e.g., security, housekeeping) and through workers' expenditures. In Tanjay, small local vendors and restaurants have fared well since the establishment of Visaya KPO. Businesses have been improved, and some gradually started selling their wares at night to target service workers on the "graveyard shift." Accordingly, respondents expressed that the outlook of Tanjay has changed, for example, "Tanjay is more industrialized right now" (Visaya KPO service worker interview, November 14, 2015), and "When people knew that there's a call center here, there are a lot of restaurants being built. Soon we will be having a Jollibee here" (Visaya KPO service worker interview, November 14, 2015).[2]

While these are only anecdotal examples of indirect local socioeconomic developments, they are illustrative of how ICT advancements provide new employment opportunities in what used to be the periphery of the global economy (see also Mann and Graham 2016). Whether this takes place through specific impact-sourcing ventures or mainstream service provision, it is part of an economic transition in which digital work enables educated young people, who live in more remote areas in developing countries, to compete on the global labor market without having to move to capital cities or abroad.

Conclusion

The ICT4D literature has recently started to address the question of how marginalized people can utilize ICTs for income generation by doing ICT-enabled work. Impact sourcing is built on this premise, and this chapter has examined how impact-sourcing initiatives in the Philippines fulfill these objectives. Our study found that only a few impact-sourcing initiatives exist in the Philippines, and, compared to mainstream service outsourcing, their total employment is negligible. Given the recent interest in impact-sourcing initiatives among philanthropic foundations and business representatives, however, common practices among the current initiatives, which are the pioneers in this field, need to be explored. Understanding their successes and setbacks provides valuable lessons for new ventures and,

more generally, about the potential of impact sourcing as a development tool. Even a small portion of work in the global ICT-ITES sector being carried out in impact-sourcing ventures would positively affect the lives of many workers and their families.

In line with findings from various studies in India (see Gino and Staats 2012; Nicholson et al. 2015; Sandeep and Ravishankar 2015b), a commercial logic is prevalent in the impact-sourcing case that we examined. To effectively compete with mainstream service providers, the founders of our principal case study, Visaya KPO, required a location with high-quality digital connectivity and available qualified staff. This led to the recruitment of workers who have, in most cases, a college degree and previous work experience in the ICT-ITES sector. By recruiting these workers, Visaya KPO compromises on its ambition to employ workers with more marginalized backgrounds. Critics could argue that impact sourcing is mainly driven by motivations to tap into a lower-cost labor pool, hiring educated workers in lower-cost locations rather than integrating workers from more marginalized backgrounds into existing operations in Metro Manila or Cebu City. In the latter case, Philippine national labor law would require companies to pay marginalized workers at par with the existing workers, which is not attractive for companies given the extra training these workers require. Most workers in this research were not even aware that their workplace was regarded as an impact-sourcing venture. Rather, they viewed it as a convenient workplace close to their homes, which provided them with a better income compared to local alternatives. Even toward clients, the initiative was only selectively advertised as an impact-sourcing venture.

The case of Tanjay illustrates the commonalities that impact sourcing has with mainstream ICT-ITES service delivery, as impact-sourcing ventures effectively operate in the same market. Impact sourcing mainly adds to the already ongoing geographic spread of ICT-ITES service work. The relocation of service jobs to class-two cities in the Philippines starting about a decade ago, driven by high competition among BPOs in Metro Manila and the necessity for strategic diversification, has been well documented (see Kleibert 2015; Beerepoot and Vogelzang 2016). Via impact sourcing, the sector is now moving to more remote destinations (albeit not too peripheral) but is not reaching new groups of workers who fall outside the scope of mainstream service outsourcing. Herewith impact sourcing resembles observations made about microcredit (see Morduch 2000; Banerjee et al. 2015),

where beneficiaries are not always the most financially strained or those without access to other financial institutions.

Whereas some prolific international impact-sourcing organizations (e.g., Samasource, Digital Divide Data, RuralShores) explicitly state their objective to provide employment to marginalized communities, the empirical evidence from various studies referred to in this chapter points to ambiguity in the use of the concept. Contrary to ICT4D conceptualizations that unambiguously declare the aim to use digital technologies to provide employment to marginalized people, employing college-educated workers in a rural setting is, in some key reports, enough to classify as impact sourcing (see Monitor Group 2011; Bulloch and Long 2012). This shows how the model falls short in its role as a manifestation of ICT4D. Another shortcoming of impact sourcing is that it relies too much on an existing business model (doing IT-enabled work in an office-based setting), which is cost sensitive and requires economies of scale to be viable. The high start-up cost in remote locations means that a commercial logic prevails, which makes it hard to distinguish impact-sourcing ventures from mainstream ICT-ITES service providers.

Despite the deficiencies of the impact-sourcing model, the case of Tanjay illustrates how it provides new employment opportunities in places that, until recently, were not on the radar of the global ICT-ITES sector. Beyond the evidence provided in this study, the longer-term effects and consequences of impact sourcing on the workers and their communities require further, more systematic, investigation (see also Carmel, Lacity, and Doty 2016). Since most impact-sourcing ventures that have been studied started only recently, another subject for investigation is whether, in the medium term, impact-sourcing initiatives will make more effort to recruit marginalized groups rather than (mainly) searching for new locations. At the crossroad of both logics, hybrid forms of organization could emerge that employ workers from marginalized communities. Only through such efforts can impact-sourcing ventures claim distinctiveness from mainstream ICT-ITES service delivery. Doing so would also make them more attractive to socially minded clients who are willing to pay a premium for employing marginalized workers.

A final subject for investigation is the challenges faced by lower-end ICT-ITES service providers and, hence, by impact-sourcing ventures. Impact-sourcing ventures might be confronted with the increasing automation

of service work (see Brynjolfsson and McAfee 2014; Ford 2015), which requires a strategic reorientation of their activities. Dual goals of moving up the value chain (by doing higher value-added activities) and meeting social objectives could eventually be too much to combine, but those visions are illustrative of how impact sourcing is filled with ambition.

Notes

1. In the Philippines, cities are classified based on their average annual income. Classes range from one to six, with class-one cities (e.g., Cebu City) earning the highest average annual income, and class-six cities earning the lowest average annual income (Bureau of Local Government Finance 2008, order no. 23-08).

2. Jollibee is a Philippine multinational chain of fast food restaurants similar to McDonald's.

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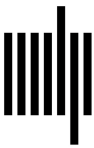

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