

BUSINESS

by RB Bhattacharjee

MR & MRS SMITH

Leila tells Adam's cult where to get off. From America, a sideways look at the failure-success called the NEP

'I FIRST GOT interested in social justice as a high school student in Los Angeles. I actually did work with ACLU (American Civil Liberties Union) and a couple of local organisations. But as a child of Indian immigrant parents, I was always curious about poverty in India, where they had grown up, because we never really had direct experience or exposure to it. When I was about 16 years old, I decided I wanted to leave my cushy, sub-urban life in Los Angeles and get out there and get exposed a bit more. And I ended up getting a scholarship and convinced the organisers to let me just travel in Africa and take in the place. So I found a volunteer opportunity in rural Ghana, in a small town called Akropong.

'It was a shock to go there as a 17-year-old. It's also the best thing I've ever done ... My students – I had sixteen of them, of middle-school age – were incredibly ... heart-breakingly, bright. I had a student in particular, Femi Abass,* who would stay after class with me for two or three hours a day and ask me about opportunities outside of Ghana and how he could become a writer and how he could get funding. It really crushed me that people with Femi's talent were unable to succeed, and I think that as Americans ... we've become very excited about meritocracy and providing people with opportunity if they have the skill and the drive to take those opportunities. For a vast, vast portion of the world, there simply are not those opportunities, and I think that's the biggest moral challenge of our time.

'So, this seed was planted about ten years ago and I ended up studying African development, working for the World Bank in a couple of development projects and getting kind of frustrated with the large-scale development approach in places like Africa. While large infrastructure projects are certainly needed, what I've found time and time again is that the Femis of the world will be ignored by

these development programmes. I decided that as an individual, the area in which I can have most impact is in starting some kind of organisation that can provide more good job opportunities for people like Femi.'

Leila Chirayath Janah went on to become a financial consultant and World Bank employee. Then, at 25, she turned her back on that high-flying world to set up Samasource, a social enterprise that uses outsourcing to fight poverty.

* (From YouTube: *In conversation with Women 2.0*, Nov 10, 2008. *Femi is blind*)

IN MEGATRENDS 2010, best-selling futurist author Patricia Aburdene describes the transformation of capitalism by the infusion of morality and meaning into business. She predicts that the rise of conscious capitalism, as she calls this trend, will heal the greed-driven business model that has led to the worst economic crisis since the Great Depression.

Listening to Leila Chirayath Janah, a young American business leader, the future foreseen by Aburdene appears entirely possible. Leila is the founder CEO of Samasource (sama means equal in Sanskrit), which finds

people in low income countries who are able and willing to work, and matches them with companies and individuals in the US that want to outsource parts of their activities. The big difference is that Samasource, which is a non-profit, ensures that both parties act in a socially responsible way.

Samasource, incorporated in March 2008, and which only started piloting its sales model in around September last year, is among a growing number of organisations that operate as social enterprises. In its simplest form, a social enterprise is an organisation or venture that 'advances its primary social or environmental mission using business methods,' as Wikipedia has it. Additional criteria may include autonomy from public or private control, limits on the distribution of profit, decision-making that is not based on capital ownership, and other rethinking of laissez-faire capitalism as interpreted by neo-liberals.

The Samasource model, Leila told an outsourcing conference in Kuala Lumpur earlier this year, chooses countries that are in the bottom sixth of the world in terms of per capita income, which is about US\$935 per annum or less.



A group of workers sit under an advertisement outside of a shopping mall in Nairobi, November 28, 2008



Above
Leila Chirayath Janah

Top right

Vendors use solar-powered lights at an open air evening market as customers buy fruits and vegetables in the western Indian city of Ahmedabad September 10, 2009. When night falls in remote parts of Africa and the Indian subcontinent, hundreds of millions of people without access to electricity turn to candles or flammable and polluting kerosene lamps for illumination. Slowly through small loans for solar-powered devices, microfinance is bringing light to these rural regions where a lack of electricity has stymied economic development, literacy rates and health.

REUTERS / KENNY YAP (THE EDGE)



SLUMMING IT

‘I had this idea when I was a management consultant for two years after my graduation,’ Leila tells *Off The Edge*. ‘My first client was a big Indian outsourcing firm. I talked to a bunch of call centre agents who worked there, who told me that they commuted in from a big slum in Mumbai called Dharavi. I was kind of surprised because I imagined that the people who worked there were well-educated and from well-to-do families in India.’

‘That was the first seed for Samasource: maybe outsourcing could be used to address poverty,’ explains Leila. She started to research the idea and met Jeremy Hockenstein, a Harvard graduate who runs Digital Divide Data, a non-profit operating in Cambodia and Laos, outsourcing data processing jobs from the US. She also talked to other people doing similar work.

‘There were a couple of key challenges for entrepreneurs who are trying to set up direct-outsourcing companies in these poor areas specifically to solve a social problem, which can be called socially responsible outsourcing or social outsourcing,’ says Leila.

‘One challenge is that unlike Jeremy, who went to Harvard, they didn’t have the skills to sell directly to clients,’ she adds. ‘It’s like the fair trade producers – they lack the connections to know what the pricing should be and to know how clients want to be communicated with. So they needed a sales arm more than anything else.’

Ironically, the customer has the faintest idea about the conditions at the other end of the supply chain.

‘There is no difference in the mind of a consumer between outsourcing that’s done

by a multinational and work that’s done by some mom-and-pop shop in Kenya where all of the revenue will stay in the local community,’ says Leila.

MONEY: NOT JUST FOR BILLIONAIRES

To act as an agent of economic justice, Samasource uses a social labelling system for the African companies that it finds work for. The Sama Social Label, as Leila informally calls it, has three principles: the first is to find seed money locally to fight poverty. That means funds for African companies should be locally owned as far as possible.

To ensure this, Samasource has a formula that sounds, at first blush, a little complicated: at least half of the company should be owned by people living in the same region as two-thirds of the employees. This standard is not a new idea, Leila explains, but was borrowed from the corporate world.

Secondly, the firm must re-invest a minimum of 40 percent of its revenue in the community in staff training, salaries and community programmes.

Lastly, it could be structured as a legally registered non-profit.

Further, Samasource has drafted a code of conduct for disadvantaged firms that hinges on three areas: progressive labour policies, community contributions and transparency.

‘We make sure that all our providers and network sign the code,’ says Leila. ‘The goal is to embed good values in younger outsourcing companies and to make a dent in poverty,’ she says.

‘Social labels differentiate between what multinationals do – suck up a lot of money and give it to a billionaire – and the kind of

business model, where, like Grameen Bank, most of the value stays with the beneficiaries or workers,' she says, referring to the pioneering micro-credit institution started by the Bangladeshi welfare economist Muhammad Yunus, who shared the Nobel Peace Prize with the bank he set up.

ANTI-SHARK NETS AND ALL THAT

In 2006, Leila went to Kenya on vacation and met a group of entrepreneurs, who all had the same message for her. ' "If you want to help this industry grow in a place like Africa," they said, "you need to provide us access to international clients. We need a standard system, sales help and more than anything else, we just need contracts. We have the facilities, we have the talent, we need the work." And nobody was paying attention to that need,' says Leila.

Moreover, she was struck by the many parallels between the work-hungry Kenyans and the poor who need micro-finance. 'Just like in poor communities, where you have loan sharks who offer people who're desperate a loan at 60 percent interest, we found out the same thing going on in this industry,' says Leila. 'These small entrepreneurs in Kenya were getting charged thousands of dollars upfront by brokers who'd come in and guarantee them work for a fee. And these guys have dumped all this money into infrastructure and hiring staff, and they're desperate for some contracts.'

To match clients and contractors, Samasource works on three things: 'First, we screen and select partners, who have to meet our criteria as socially responsible organisations, according to a set of principles, and a set of quality criteria,' says Leila.

Samasource then trains those it has selected, the instruction mostly being done online. 'We have our volunteers do role-playing as clients and get the trainees ready to work directly with customers in the US. Finally, we market their services to clients in the US through a sales office and a website,' says Leila.

Ensuring quality where the work is often done in areas with no infrastructure is no mean challenge. Samasource uses web-based tools that small organisations can employ. One is Base Camp, a low-cost project management system, that Leila's team uses on a monthly basis.

'It allows all our clients to see into projects at any time and see who is doing what work and how well,' she explains. 'We employ a really rigorous screening process – that's one of the core controls – weeding out people who aren't serious about working hard. We have a three strike policy with our providers. We may be socially responsible but we aren't keeping people who aren't prepared to work hard.'

LIFE OF A SALESMAN

The sales strategy, which is promoted through its website and social media, is designed to capture contracts under US\$5,000. 'The tasks are say, a university professor needs his archives digitised, or his videos captioned. We're finding work through cross-contributions, and also increasingly through social media. Facebook and Twitter probably resulted in about US\$30,000 worth of contracts for us,' reckons Leila.

'We also give our smaller providers access to our sales team in San Francisco. This is probably the biggest way that Samasource helps them. None of these providers have the resources to engage a marketing agent in the US, or to be registered as a US company,' she says.



Pedestrians cross the street in front of the World Bank headquarters during the World Bank/International Monetary Fund Spring Meetings in Washington, April 11, 2008

Acting as a front-end for these small outfits, the Samasource sales team meets clients in person, attends conferences and makes word-of-mouth connections, with the aim of capturing US\$10,000 to US\$100,000 contracts.

The team has been developing a pilot scheme since last year with six initial partners in East Africa, which all have about eight to ten employees on average. They have focused on eight services (data entry and digitisation, image moderation, video captioning, research assistance, website packages, application testing, content updating and virtual assistance) and managed to find about US\$140,000 in contracts for the partners.

'This represents a huge jump for these small firms who are normally not able to find

REUTERS

LIFESTYLES OF THE SELF-INTERESTED AND WELL-CONNECTED

OTE: What made you disillusioned with World Bank-style aid?

Leila: I was at the bank through the graciousness of my professor at Harvard. He liked a presentation that I did as an undergrad and invited me to work at the bank for one semester. So, I took off a year of college, and worked as a consultant in the development research group.

Slowly, I realised that this whole community of development experts are all people who like me went to Ivy League schools. They want to make good money, they want to send their kids to private schools and live in DC and fly business class and stay at five-star hotels. But how can we really understand what life is like for the people we're trying to help if we're doing that?

The average World Bank official will spend two weeks in a country 'on mission', which I find almost offensive. Your job is to free the world of poverty. It is not a 'mission' you should be making to the developing world.

Large-scale aid is often an industry in itself. There is no intention of [this sort of aid] phasing itself out. The structure of the bank is such that it creates this culture of wanting to live an expat lifestyle, and I don't think that's sustainable.

So little of my work seemed to have any direct impact on increasing incomes of the poor, which is the aim of all development – to push people above the poverty line. So, I felt like I would do something in the bank and it would be, if I were lucky, fifty years before anybody at the other end would ever see a cent out of that. And, to support someone like me in Washington, DC costs a lot of money. If that money were given as a direct cash grant to someone in Bangladesh, you'd have a much bigger impact.

this kind of work,' says Leila. 'They've been able to hire more people, some of them with physical disabilities, in response to the social criteria we have developed for them – and we've done this all on no pay, no people.'

THE NON-PROFIT IMPERATIVE

Clearly, there is a strong spirit of volunteerism that motivates the hard work that goes into this enterprise.

Leila explains: 'Because we're a non-profit, and because of the huge recession now in the US, and the people who're losing their jobs, we've been able to get really talented people who've volunteered to work for half the amount they normally get at commercial firms.'

'The profits on my side of the operation are really, really slim, so it doesn't make sense for us to operate as a for-profit business,' she says. 'And because we pay less than in the private sector, we get a lot of bang for our buck.

WHO'S WHO IN THE NEW OUTSOURCING

OTE: What do you have to do to ensure that clients get quality work from providers?

Leila: It's a pretty complicated system because we're catering to two sets of clients - the partners, the small firms that we support in the developing world and the clients who pay us to provide the services. We have a three-prong model; our value proposition to our US clients is: 'We'll find you talented small businesses that are run by competent people that hire competent staff to do your work. We'll probably lower your cost of doing it in-house, and we'll also help you contribute to economic development in a poor region.'

To partners we say: 'We'll find you a steady pipeline of paying clients. We'll charge you less than most industry brokers, our rate is 10 to 15 percent commission. We'll accept payments on your behalf, so clients won't have to wire money to Kenya if they're nervous, and we'll also give you insight into what the marketplace is demanding since we're sitting so close to all these companies in Silicon Valley.'

FRESH AIR AND SUNSHINE: PERKS

OTE: Who else is in your team?

Leila: It's really hard to get team members to work (a) for free, and (b) for a start-up, because we don't have any nice perks. Last year, I was lucky enough to find Joy Sun, who's now on our advisory board, who gave me an idea. She was working at the time for the Clinton Foundation. She finished her position there and before she started business school in the fall, she had about eight months. She devoted all that time to Samasource. So she contributed her expertise and helped us write business propositions.

After she left, we had Wayne, a Silicon Valley whiz kid who developed our website. He spent three months working for free to develop the website, getting information from providers, etc.

And then more recently Joy went back to business school, and we've got a team of volunteers

now. Jeff McArthur, our head of sales, has ten years of experience selling software products, and he applied for project manager on a website where you post notices for jobs. I didn't think he was a serious Samasource affiliate. He gradually kept stepping up and now he's really taken responsibility for shouldering the operation. He is probably the key player now.

Actually I should have mentioned our Board of Advisors first. We've got really big names in social entrepreneurship. They include Premal Shah, the president of Kiva.org, a peer-to-peer microlending platform; Mohamoud Jibrell, the Chief Information Officer of Ford Foundation; Katherine Barr, a partner at venture capital firm Mohr Davidow; professor of law Robert Hockett, of Cornell Law School. That's some of them.

With only about US\$37,000 in funding last year, we were able to generate US\$140,000 in contracts. And that number is going up every week.'

THIS IS HOW WE DO IT

Leila says that 45 to 85 percent of this revenue directly supports staff salaries and training and other community-beneficial activities in the regions that Samasource works in.

The results, as they say, speak for themselves.

The Samasource message is spelt out on its website, samasource.org, the Samasource blog, and on a sister site, sourceoutpoverty.org. The last of these was set up to encourage people to get involved. One link reveals the guiding principles behind Samasource, and another describes the Sama Code of Conduct, both of which are meant to be downloaded and distributed.

We tell them what kinds of services they should offer, and how much they should charge. We screen and select small businesses that we partner with, and they have to meet the criteria we set ... they have to meet the quality test; we check their references, website... Then we give them some training. At this point it is pretty low-key. The training involves how to use our project management system, which is web-based, which they have to use. That is another way that we assure quality as we can drop in at any time and take a look at what they're doing and make sure it's done.

We try to get a local business incubator to be our support partner and through that incubator we will, say, run a couple of seminars. We also go to the country. I'll give a little talk. Providers who are interested will come, and we go and find them as well.

... We have so many constituencies. This is the tough thing about being a social enterprise. You don't only have to please your clients, your donors, if you're getting donated money, and your beneficiaries.

'Say you are a large outsourcing provider and want to tap into the positive PR potential of working with one of our firms,' Leila tells her audience at the outsourcing conference. 'You can contact us and we can help you arrange that.'

'More importantly,' she says, pressing her point, 'you can start thinking about ways you could apply some of these principles to your operation. It probably doesn't make sense to apply it to 100 percent of your business, but maybe there's a client who's willing to experiment with you and you can take five percent of your overall portfolio and devote it to home-based mothers, or people who are in really remote corners of where you operate.'

Contrary to the mainstream view that the main duty of a business is to turn in a profit for its shareholders alone, Leila promotes social responsibility as integral to entrepreneurship.

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TALKING TURKEY

OTE: Do you have a business plan and revenue targets that you have to meet?

Leila: Absolutely. We've got a business plan and business targets. We want to grow aggressively. Of course, we want to make money. We make a commission of 10 to 15 percent per project. We have an incentive scale along with our providers. We have the same set of incentives as they do, and that's really powerful.

Our model really works at scale. We need seed capital, and it's very hard to find that in social enterprises. There's a lot of talk out there about ways to find money, but it's extremely hard to access. So, we're trying to raise money, around US\$350,000 and that would get us to the level where we could

THE GUIDING PRINCIPLES

Leila: We borrowed a lot from other responsible business principles. Again, at the 50,000-foot level: socially responsible outsourcing, essentially, is directing money into lower income regions to benefit from labour arbitrage. Our question was, how do we make sure this money reaches not just lower-income regions but the world's poorest people. What we found is that outsourcing dollars were going into middle-income regions but not really reaching the poorest of the poor. So our guiding principles are a framework to get capital flowing into those lower income regions.

On the flipside, we help companies leverage

scale our operations. We could automate a lot of our sales procedures, we could do a lot of things that would help us become profitable. That's the biggest hurdle I'm facing now; I spend so much time writing grant applications. We need philanthropic capital because no for-profit investor is going to be interested in our returns. We do make money, but only over a very long time-horizon and even then it's a slim margin.

So the money has to come from a source that is convinced about doing social good first, and then profit later?

Otherwise, they'd put their money in some for-profit operation.

on their social label (see above) and increase their customer base. So very broadly, they get money into high poverty areas, and keep money in those areas by ensuring that the companies that receive this kind of outsourcing are locally owned as much as possible.

Lastly, we make sure that the companies are good for workers: that they follow a code of conduct and are willing to be audited against the standards that we hold. Socially responsible business has a long history. We borrowed heavily from Fair Trade, B Corporation... We really try to extend what's been done, rather than reinvent the wheel.

OPIUM OF THE MIDDLE-CLASSES

OTE: Are there many takers for the idea of making a profit by doing something that benefits others first?

Leila: We've gotten into this myth [of self-interest and profit being the same thing]; it's really rampant in Asia. I've spent a lot of time in malls since I arrived in Malaysia and I feel almost sick to my joints because we are insulated by this luxury and we forget what the reality is like for billions of people around the world. It's kind of incomprehensible to me how someone could live on US\$1.25 a day (and that's adjusted for purchasing power). I think we need to be constantly reminded that this should be the most pressing issue that our most creative minds are challenged to solve.

Whatever comes through in the media, like on the world news, is somewhat a processed reality. Lots of disasters and suffering, but somehow remote from your personal experience.

And because of that, you start dehumanising these people. I think we are seeing this in the outsourcing industry. People get talked about as remote workers and units of labour and labour hours. They don't talk about people, and the people who are doing this work are people, just like you and me, with aspirations and families. To reduce them to units of labour that are purely fungible is really not doing justice to them.

Another big problem, and (Grameen Bank founder Muhammad) Yunus talks about this a lot, is that we've been taught that companies that maximise profits are doing the right thing, and that the free hand of the market will make everything perfect if everyone is out to maximise his own profit. What we've seen in the last year proves that is just not true. Markets need regulation and they need in some cases moral restraints that are placed on them for moral reasons, for the benefit of society as a whole as opposed to just one or two individuals. I strongly believe in markets and I strongly believe in responsible 'capitalism'. The blind pursuit of profit has been behind so many of the worst things we have seen in the world today ...

The fact that this industry (outsourcing) has created seven billionaires but hasn't raised the income of the world's poorest people is a real shame. It wouldn't take much to raise the 1.4 billion people living on US\$1.25 a day. With US\$1.4 billion, we could raise them over the threshold of extreme poverty. With the wealth that has gone to one of these seven people, we could do that. I think it requires a re-envisioning of the way this industry works. And we'll do it piece-meal, positive case by positive case, and work its way up.

I guess the scariest thing for me is that we don't teach our young people about these things – there are so few Americans, especially, who really understand what poverty means. They get upset about outsourcing because they think we're helping rich Indians get richer, but that's not the reality. These people need jobs a lot more than the average American does.

One thing we did to answer criticisms about our model is to start a programme in rural Mississippi, the poorest state in the country, which has pretty substantial rural poverty. People on average live at the bottom sixth of the US income chart and make between US\$17,000 to US\$20,000 a year per household, which is pretty low for the US. It helps a little bit, but it's so hard to do a model that advocates working with foreigners during a recession, when people get protectionist.

THAT SPRING BREAK IN... GHANA

Leila: Ghana is on the World Bank's low income country list. The average income, adjusted for purchasing power, is less than US\$935 a year. It is primarily agricultural, and much like India. It's heartbreaking. If you go there, you will see that there're all these young people who're very bright. They speak good English, and they have a strong knowledge of world affairs.

It's a very positive entrepreneurial kind of place. For me, going there was shocking, because all these myths we're fed about poverty, in the US especially: people are poor because they want to be poor, because they're not willing to work hard enough, or they don't have the Protestant work ethic. That's baloney. People are poor because they're born into a system that keeps them that way. And it's incredibly hard to break out of that system. We point to one or two examples of Africans who've made it in the US, but really that was a factor of luck more than anything else. And I don't believe we have to live in a world dominated by luck or chance.

OTE: You have to actually see how poverty diminishes a person's opportunity for growth before you really understand how crippling that can be.

My parents grew up in India. They were part of the middle class, and their parents were too. They were educated. My mum's parents went to college, and she went to college. They were the lucky ones. They didn't have much money when they moved to the US but they were relatively privileged. Growing up in Los Angeles, my brother and I didn't really have much exposure to poverty. If we didn't finish up the food on our plates, we'd be told by our parents that there were starving kids back home and we had to eat our food. We didn't really get it until he and I spent time doing development work in India.

I gave up my apartment and slept on couches for a long time. You know, it's almost harder to do this kind of work than to work for a company, but people are attracted to challenging things, especially things that have some kind of benefit for humanity. And when I found that all our volunteers seem to be pretty happy with their work, even though they are not getting paid and it's really hard and you've got all these people you have to please and the industry does not take us seriously at all... it's still better than being in some dead-end job.

There are just too many people who are smart and who are unemployed for this [socially responsible business model] not to make sense. This has to work. I refuse to believe that all those people have to sit around being unproductive.



Above A woman from Joypura holds her cell phone as she listens to former US President Bill Clinton speak at the US Embassy on March 20, 2000. Clinton praised the Grameen Bank microcredit program that allowed this woman to buy a cell phone which she in turn charges fellow villagers to make calls. Some 94 percent of these loans have been made to women and 98 percent have been repaid

Opposite page Samasource in Uganda and India

THE BUDDING IDEA OF GLOBAL JUSTICE

'I worked for a year as a visiting scholar at a programme on global justice at Stanford University. My professor, who is a moral philosopher, founded the global justice school of philosophy. Global justice basically holds that there's no moral salience in the nation. I have no more duty to another American than I do to you or somebody who lives in the middle of Africa. People are people wherever they happen to be and if we have limited resources, we should focus them on bettering the conditions of those who are worst off, who are those people living in abject poverty. That idea hasn't really reached the masses yet.

'If you look at the concept of poverty and human rights, it illustrates how poverty is a violation of our most fundamental rights as

people. Then you can see how we, as consumers in the developed world, are complicit in a system that actively oppresses people. So, we have a positive moral duty to do something about poverty. There is a difference between a negative duty and a positive duty; negative duty is one where you don't have to do something wrong. My professor argues that we have to [do something right], because we are actively hurting people.

'I think we've been fed this myth that, one, we can't do anything; two, that it's an intractable problem and no matter what we do it won't be fixed; and three, that the invisible hand of the market will fix everything, so it's not worth trying because we have to keep working to maximise our own profit.'

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'I really believe that business has the power to address a lot of social problems, but it has to be structured in the right way,' she says.

'Because we work with for-profits, we've had a lot of negative feedback from people who don't believe that businesses have a role in fighting poverty. To answer them, I showed them the results,' says Leila.

For the profit-oriented clients of socially responsible outsourcing, the benefits include a customer loyalty dividend. Leila is part of a group at Stanford University that works with CSR executives and multinationals such as

Nike and Hewlett Packard. 'We recently discussed a study by MBA students that consumers are willing to pay 15 to 20 percent more for products if it has a social label on it – whether fair trade, or any kind of label that says that buying this is benefiting poor people, or the environment,' she notes.

'The challenge for our industry is that we often [don't see] the end-customers. If there is some way we can allow the buyer who buys from socially responsible outfits to showcase this fact on their websites and annual reports, I'm positive that they'd be willing to spend a

little bit more in exchange for this great PR. There's definitely a win-win to be had here.'

Perhaps it's also a sign of the changing tide of global public opinion, as more become aware of the hollowness of an economic system that privileges profit-making for its own sake. ■

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