eSCMs: Best Practices Models for Sourcing and Service Management

ITSqc, LLC

August, 2014
ITSqC, LLC
Corporate Background
What is ITSqc, LLC?

- A university spin-off to “continue and extend work begun at the university to establish best practice models and certification procedures for the global sourcing of information technology-based services.”
- The eSourcing Capability Models were developed at Carnegie Mellon University.
- ITSqc, LLC, is the exclusive licensee of Carnegie Mellon University for the eSCMs and related work.

eSCM Origins

• The eSCMs and related training courses were originally developed by the Information Technology Services Qualification Center (ITSqc) at Carnegie Mellon University.

• Funding for this work at Carnegie Mellon was provided by Consortium Members and Sponsors, including Accenture, CA, COPPE/UFRJ, DBA, Deloitte, EDS, HP, IACCM, IAOP, IBM, itSMF Brasil, itSMF US, La Poste, Mellon Financial Services, Outsourcing Institute, Phoenix Health Systems, Satyam, STQC (Gov’t of India), TPI, and others under Non-Disclosure Agreements.
eSCMs developed by a team with experience as authors of the SW-CMM, People CMM, CMMI and ISO standards expertise, as well as diagnostic methods backgrounds

- Hefley, Paulk, Perdue, and Siegel

**Major steps in development approach included:**
- Extensive literature review
- Multiple reviews (Model architecture, Advisory Board)
- Incorporating and documenting best practices
  - Wherever feasible, made recommended best practices compatible with existing quality models and standards
- Modifications to incorporate feedback
- Developed capability determination methods
- Empirical testing of Models and capability determination methods (piloting)
  - Pilot tested model practices with method (U.S. and offshore, multiple markets and services)
- Posting of Models for broad technical review / public review
- Release of the Models (Books in 2010)
Appendix D in both books maps the eSCMs to the OPBOK
French translation of eSCM-CL released in 2014

Translation by
Eric Baussand & Eric Herr
eSourcing partners

ISBN 9789087538088
eSourcing Background
73% of organizations are involved in outsourcing, making it the fourth most commonly used management tool.

- Only 33% of organizations use offshoring
- Of large organizations,
  - 85% use outsourcing, but
  - Only 51% use offshoring

73% of executives believe that they “could dramatically boost innovation by collaborating with outsiders”

While many sourcing relationships are successful, many are not.

Over half of all outsourcing clients report having renegotiated a contract and in nearly 25% of these the original service provider lost the account. ¹

eSourcing

IT-enabled sourcing, or eSourcing, uses information technology as a key component of service delivery or as an enabler for delivering services.
eSourcing Characteristics

- Relationships usually last a long time.
- Integration between client and service provider is complex.
- Delivery of services is typically networked, or highly dependent on information technology.
- There is repetition of service delivery.
- Often global in scope.
What companies would do differently in outsourcing

Exhibit 5
Lessons Learned: Better Alignment with Business Goals

What companies would do differently if they had to re-do their outsourcing initiative

- Define realistic service levels that align with business goals: 49%
- Define and align business goals with outsourcing strategy: 39%
- Develop plan and staff for service and contract management: 37%
- Spend more time on vendor selection and evaluation: 35%
- Use an experienced 3rd party advisor: 23%
- Outsourced sooner: 22%
- Compare costs of outsourcing vs. in-house: 20%

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"Even more fundamentally, we have seen companies typically fail to follow well-established, disciplined outsourcing procurement and management processes that support the organization’s business goals. By short-cutting these processes, they may achieve cost reductions but fail to take advantage of the opportunities that outsourcing provides to incorporate innovative new approaches that can fundamentally transform their operations.

And in some cases, these shortcuts in the process can have more serious consequences by creating a cascading series of problems that ultimately doom the outsourcing project to failure."

eSourcing Capability Models: eSCM-SP and eSCM-CL
eSCMs apply to all types of Sourcing Relationships
The eSCM-SP and eSCM-CL are designed to be complementary Models, addressing both sides of a sourcing relationship.
Need for the eSourcing Capability Models (eSCMs)

• Most current quality models do not:
  – address all phases of the sourcing process
    • Critical challenges occur during initiation and completion phases
  – provide sufficient focus on sourcing relationships
  – adequately address the challenges that client organizations face:
    • establishing an appropriate sourcing strategy
    • managing risks throughout the sourcing activities
    • identifying, selecting and negotiating with service providers
    • conducting service provider governance and performance management
  – provide best practices drawn from world class providers to:
    • promote innovation and building of strategic partnerships
eSourcing Capability Models

- Address the entire Sourcing Life-cycle
- Provide necessary coverage of Analysis, Initiation and Completion phases of the Sourcing Life-cycle – not just delivery!
- Are intended to be *complementary* to existing quality models – Both eSCMs are compatible
- Contain a set of practices that encourage client and provider organizations to continuously improve and innovate
- Provide a structured framework to examine status and improvement areas
- Will provide an indication of an organization's capabilities with respect to the rest of the industry
- Provide a tool for clients to consistently and comparably evaluate their own and their providers’ sourcing capabilities
- Provide risk mitigating information to providers and clients about their capabilities
eSourcing Capability Model for Service Providers

• Focuses on eSourcing services (BPO, ITO, KPO, LPO, etc.)
• **Covers the full life cycle – it provides crucial coverage of Initiation and Completion phases of sourcing**
• Provides service providers best practices to adopt for continuous improvement
• Enables clients to compare service providers using a consistent basis
• Is compatible with and complementary to other quality models
  – Many mappings are available to assist organizations to improve
  – Is compatible with eSCM for Client Organizations (eSCM-CL)
• Supported by independent, third-party evaluation and certification by ITSqc, LLC
Practices are Organized Into Three Dimensions

1. **Sourcing Life-cycle**
   - Ongoing
   - Initiation
   - Delivery
   - Completion

2. **Capability Areas**
   - Knowledge Management
   - People Management
   - Performance Management
   - Relationship Management
   - Technology Management
   - Contracting
   - Service Design & Deployment
   - Service Delivery
   - Service Transfer

3. **Capability Levels**
   - Levels 1 - 5
3 Dimensions of the eSCM-SP
Components of the Sourcing Life-cycle

- **Ongoing**: Ongoing Practices represent functions that are needed throughout the sourcing process

- **Initiation**: Practices concerned with gathering requirements, negotiating, contracting, and designing and deploying the service, including transitioning of resources

- **Delivery**: Practices concerned with the delivery of service to the client

- **Completion**: Practices concerned with completion of service and termination of the engagement - this includes the transition of resources from the service provider to the client or to a third party
### Distribution of Practices by Sourcing Life-cycle

<table>
<thead>
<tr>
<th></th>
<th>Ongoing</th>
<th>Initiation</th>
<th>Delivery</th>
<th>Completion</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Practices</td>
<td>51</td>
<td>21</td>
<td>8</td>
<td>4</td>
<td>84</td>
</tr>
</tbody>
</table>
• The eSCM-SP Practices are divided into 10 Capability Areas

• The Capability Areas group similar Practices in order to facilitate learning and implementation of the eSCM-SP

• The first 6 Capability Areas (Management Capability Areas) consist entirely of Ongoing Practices

• The other 4 Capability Areas contain the phase-specific Practices (Initiation, Delivery, Completion)
## Distribution of Practices by Capability Areas

<table>
<thead>
<tr>
<th>Capability Areas</th>
<th>Number of Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Management</td>
<td>8</td>
</tr>
<tr>
<td>People Management</td>
<td>11</td>
</tr>
<tr>
<td>Performance Management</td>
<td>11</td>
</tr>
<tr>
<td>Relationship Management</td>
<td>8</td>
</tr>
<tr>
<td>Technology Management</td>
<td>6</td>
</tr>
<tr>
<td>Threat Management</td>
<td>7</td>
</tr>
<tr>
<td>Contracting</td>
<td>11</td>
</tr>
<tr>
<td>Service Design &amp; Deployment</td>
<td>8</td>
</tr>
<tr>
<td>Service Delivery</td>
<td>8</td>
</tr>
<tr>
<td>Service Transfer</td>
<td>6</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>84</strong></td>
</tr>
</tbody>
</table>
Five Capability Levels

1. Providing services
2. Consistently meeting requirements
3. Managing organizational performance
4. Proactively enhancing value
5. Sustaining excellence
### Five Capability Levels of Service Providers

<table>
<thead>
<tr>
<th>Level Number</th>
<th>Level Name</th>
<th>Number of Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Sustaining excellence</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Proactively enhancing value</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Managing organizational performance</td>
<td>26</td>
</tr>
<tr>
<td>2</td>
<td>Consistently meeting requirements</td>
<td>48</td>
</tr>
<tr>
<td>1</td>
<td>Providing services</td>
<td>0</td>
</tr>
</tbody>
</table>
## Distribution of Practices by Sourcing Life-cycle, Capability Area, and Capability Level Summary

<table>
<thead>
<tr>
<th>Sourcing Life-cycle</th>
<th>Capability Area</th>
<th>Capability Level</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>51 Ongoing</td>
<td>Knowledge Management</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>People Management</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Performance Management</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Relationship Management</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Technology Management</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Threat Management</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>21 Initiation</td>
<td>Contracting</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Service Design and Deployment</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Service Transfer (in)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>8 Delivery</td>
<td>Service Delivery</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>4 Completion</td>
<td>Service Transfer (out)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td><strong>48</strong></td>
<td><strong>26</strong></td>
</tr>
</tbody>
</table>
To address both sides of a sourcing relationship, ITSqc developed the eSCM-CL
eSourcing Capability Model for Client Organizations (eSCM-CL)

- Addresses the entire Sourcing Life-cycle
- Provides necessary coverage of Analysis, Initiation and Completion phases of the Sourcing Life-cycle – not just delivery!
- Is designed to be *complementary* to existing quality models
  - Is compatible with eSCM for Service Providers
- Contains a set of practices that encourage client organizations to continuously improve and innovate
- Provides a structured framework to examine status and improvement areas
- Will provide an indication of an organization's capabilities with respect to the rest of the industry
- Provides a tool for clients to consistently and comparably evaluate their sourcing capabilities
- Provides risk mitigating information to clients about their capabilities
eSCM-CL Model Architecture
## Practices are Organized Into Three Dimensions

### 1. Sourcing Life-cycle
- Ongoing
  - Analysis
  - Initiation
  - Delivery
  - Completion

### 2. Capability Areas
- Sourcing Strategy Management
- Governance Management
- Relationship Management
- Value Management
- Organizational Change Management
- People Management
- Knowledge Management
- Technology Management
- Threat Management
  - Sourcing Opportunity Analysis
  - Sourcing Approach
  - Sourcing Planning
  - Service Provider Evaluation
  - Sourcing Agreements
  - Service Transfer
  - Sourced Services Management
  - Sourcing Completion

### 3. Capability Levels
- Levels 1 - 5
Descriptions of the Sourcing Life-cycle

- **Ongoing**: Ongoing Practices represent functions that are needed throughout the Sourcing Life-cycle.

- **Analysis**: Practices concerned with analyzing the client organization’s business functions and business processes, and identifying potential sourcing opportunities.

- **Initiation**: Practices concerned with effectively preparing for sourced service delivery.

- **Delivery**: Practices concerned with managing the delivery of sourced services to the client organization.

- **Completion**: Practices concerned with completion of service and termination of the engagement - this includes the transition of resources to the client, or a third party, from the service provider.
Distribution of Practices by Sourcing Life-cycle

- **Ongoing:** 50
- **Completion:** 11
- **Delivery:** 11
- **Initiation:** 20
- **Analysis:** 9

Total Practices: 95
eSCM-CL Capability Areas

- The Practices are divided into 17 Capability Areas
- The Capability Areas group similar Practices in order to facilitate learning and implementation of the eSCM-CL
- The first 9 Capability Areas (Management Capability Areas) consist entirely of Ongoing Practices
- The other 8 Capability Areas contain the Sourcing Life-cycle phase-specific Practices (Analysis, Initiation, Delivery, Completion)
### Distribution of Practices by Capability Areas

<table>
<thead>
<tr>
<th>Capability Areas</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing Strategy Management</td>
<td>5</td>
</tr>
<tr>
<td>Governance Management</td>
<td>7</td>
</tr>
<tr>
<td>Relationship Management</td>
<td>7</td>
</tr>
<tr>
<td>Value Management</td>
<td>7</td>
</tr>
<tr>
<td>Organizational Change Management</td>
<td>6</td>
</tr>
<tr>
<td>People Management</td>
<td>4</td>
</tr>
<tr>
<td>Knowledge Management</td>
<td>5</td>
</tr>
<tr>
<td>Technology Management</td>
<td>3</td>
</tr>
<tr>
<td>Threat Management</td>
<td>6</td>
</tr>
<tr>
<td>Sourcing Opportunity Analysis</td>
<td>5</td>
</tr>
<tr>
<td>Sourcing Approach</td>
<td>4</td>
</tr>
<tr>
<td>Sourcing Planning</td>
<td>5</td>
</tr>
<tr>
<td>Service Provider Evaluation</td>
<td>3</td>
</tr>
<tr>
<td>Sourcing Agreements</td>
<td>7</td>
</tr>
<tr>
<td>Service Transfer</td>
<td>5</td>
</tr>
<tr>
<td>Sourced Services Management</td>
<td>11</td>
</tr>
<tr>
<td>Sourcing Completion</td>
<td>5</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>95</strong></td>
</tr>
</tbody>
</table>
Five Capability Levels

1. Consistently Managing Sourcing
2. Consistently Managing Sourcing Performance
3. Managing Organizational Sourcing Performance
4. Proactively Enhancing Value
5. Sustaining Excellence

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## Five Capability Levels of Client Organizations

<table>
<thead>
<tr>
<th>Level Number</th>
<th>Level Name</th>
<th>Number of Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Sustaining excellence</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Proactively enhancing value</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Managing organizational sourcing performance</td>
<td>29</td>
</tr>
<tr>
<td>2</td>
<td>Consistently managing sourcing</td>
<td>58</td>
</tr>
<tr>
<td>1</td>
<td>Performing sourcing</td>
<td>0</td>
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</tbody>
</table>
## Distribution of Practices by Sourcing Life-cycle, Capability Area, and Capability Level

<table>
<thead>
<tr>
<th>Sourcing Life-cycle</th>
<th>Capability Areas</th>
<th>CL2</th>
<th>CL 3</th>
<th>CL 4</th>
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<tr>
<td>50 Ongoing</td>
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<td>7</td>
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<tr>
<td></td>
<td>Relationship Management</td>
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<td>2</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Value Management</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organizational Change Management</td>
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<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>People Management</td>
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<td>2</td>
<td>4</td>
<td></td>
</tr>
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<td></td>
<td>Knowledge Management</td>
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<td>1</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Technology Management</td>
<td>3</td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Threat Management</td>
<td>5</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>9 Analysis</td>
<td>Sourcing Opportunity Analysis</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sourcing Approach</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>20 Initiation</td>
<td>Sourcing Planning</td>
<td>5</td>
<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Provider Evaluation</td>
<td>3</td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sourcing Agreements</td>
<td>6</td>
<td>1</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Transfer</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>11 Delivery</td>
<td>Sourced Services Management</td>
<td>9</td>
<td>2</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>5 Completion</td>
<td>Sourcing Completion</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Totals</td>
<td>58</td>
<td>29</td>
<td>8</td>
<td>95</td>
</tr>
</tbody>
</table>
eSCM-CL Summary

• ITSqc developed the eSourcing Capability Model for Client Organizations (eSCM-CL) to:
  – Give client organizations guidance that will help them improve their capability across the sourcing life-cycle
  – Provide client organizations with an objective means of evaluating their capability

• The eSCM-CL:
  – Focuses on eSourcing services (BPO, ITO, KPO, LPO, etc.)
  – Provides needed coverage of Analysis, Initiation and Completion phases of sourcing
  – Gives client organizations practices to adopt for continuous improvement
  – Provides clients a consistent basis for evaluating their practices
  – Is compatible with, and complementary to, other quality models
  – Is compatible with eSCM for Service Providers
## Relationship of eSCM-CL and IAOP’s OPBOK

<table>
<thead>
<tr>
<th>OPBOK</th>
<th>eSCM-CL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Body of knowledge for outsourcing professionals</td>
<td>Set of best practices for sourcing clients. It is organization focused</td>
</tr>
<tr>
<td>Certification (COP) program is for individual outsourcing professionals</td>
<td>Certification is for organizations (individuals cannot be eSCM-CL certified)</td>
</tr>
<tr>
<td>Divided into 10 knowledge areas, covering major outsourcing expertise</td>
<td>Divided into 17 Capability Areas covering major areas of sourcing expertise</td>
</tr>
<tr>
<td>Focus is on building and maintaining a community of outsourcing professionals with a common vocabulary and skill set</td>
<td>Focus on building and continually improving an organizational capability in sourcing</td>
</tr>
</tbody>
</table>
ISO, ITIL, and eSCMs

ISO 20000

ITIL V3 for Service Management

If Service Management is done in an Outsourced setting

eSCMs
The eSCM-SP and eSCM-CL Models fit into the context of a sourcing relationship.
Using the eSourcing Capability Models
Using the Models

The 2 basic ways of using an eSCM are:

1. Capability Improvement (guiding improvement)
   - The Model serves as a (partial) set of requirements for an organization’s processes
   - Organizations use the eSCMs as a roadmap or guide to improve their processes

2. Capability Determination (organizational diagnostics)
   - A formal and reliable method for determining the compliance of an organization with the Practices of an eSCM (either eSCM-SP or eSCM-CL)
   - There are 6 uses of the eSCM Capability Determination Method
Uses of eSCM-SP

• By clients
  – Use evaluations to determine provider capabilities
  – Guide improvements in or benchmark an internal service provider or shared service center
  – Evaluate multiple potential providers in a consistent and comparable manner
  – Reduce risks in sourcing relationships

• By service providers
  – Systematically assess their existing capabilities
  – Improve their capability to form, manage, and expand sourcing relationships with clients
  – Demonstrate their capability through Certification
  – Reduce risk of failure
Uses of eSCM-CL

• By clients
  – Use eSCM-CL Practices to guide implementation of improved sourcing processes and procedures
  – Use self-appraisals (or evaluations) to determine sourcing capability
  – Improve their capability to form, manage, and expand sourcing relationships with service providers
  – Reduce risks in sourcing relationships
  – Demonstrate their capability through Certification

• By service providers
  – To understand their client’s capability
  – To encourage their clients to adopt the eSCM-CL so that both organizations can align processes and benefit from joint adoption
# Six Capability Determination Methods

<table>
<thead>
<tr>
<th>Self-Appraisal</th>
<th>Evaluation</th>
<th>Evaluation for Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FULL</strong></td>
<td><strong>MINI</strong></td>
<td></td>
</tr>
<tr>
<td>• To launch or check progress in an improvement effort; to create a baseline, or provide a readiness check to prepare for certification</td>
<td>• To provide an independent verification of Model implementation</td>
<td>• To differentiate by an independently verified and published Capability Level rating</td>
</tr>
<tr>
<td>• Practice profile is provided; No Capability Level rating or certification</td>
<td>• Practice profile is provided; No Capability Level rating or certification</td>
<td>• Certification by ITSqc of a Capability Level rating; Practice profile is provided</td>
</tr>
<tr>
<td>• All team members must be trained in the Model and Method</td>
<td>• All team members must be authorized by ITSqc</td>
<td>• All team members must be authorized by ITSqc</td>
</tr>
<tr>
<td>• Must use a candidate or authorized Lead Evaluator</td>
<td>• Authorized Lead Evaluator required</td>
<td>• Authorized Lead Evaluator required</td>
</tr>
<tr>
<td>• All Practices</td>
<td>• All Practices</td>
<td>• All Practices</td>
</tr>
</tbody>
</table>

**FULL**
- To launch or check progress in an improvement effort
- Practice profile is provided; No Capability Level rating or certification
- All team members must be trained in the Model and Method
- Must use a candidate or authorized Lead Evaluator
- All Practices

**MINI**
- To launch or check progress in an improvement effort
- Practice profile is provided; No Capability Level rating or certification
- All team members must be trained in the Model and Method
- Must use a candidate or authorized Lead Evaluator
- Any subset of Practices

**Self-Appraisal**
- To provide an independent verification of Model implementation
- Practice profile is provided; No Capability Level rating or certification
- All team members must be authorized by ITSqc
- Authorized Lead Evaluator required
- All Practices

**Evaluation**
- To rapidly, economically, and independently verify capability of a subset of Practices
- Practice profile is provided; No Capability Level rating or certification
- All team members must be authorized by ITSqc
- Authorized Lead Evaluator required
- Any subset of Practices

**Evaluation for Certification**
- To differentiate by an independently verified and published Capability Level rating or Capability Area rating
- Certification by ITSqc (Capability Level or Area rating, if appropriate); Practice profile is provided
- All team members must be authorized by ITSqc
- Authorized Lead Evaluator required
- Level, Area, or subset of Practices
eSCM Capability Determination Process Overview

**Prepare**
- **Determination Team Leader**
  1. Determines span & scope
  2. Develops a plan
  3. Forms a team

**Evaluate**
- **Team**
  1. Gathers data
  2. Consolidates and analyzes data
  3. Rates organization’s Capability

**Report**
- **Team**
  1. Report results
Uses of Capability Determination Methods

• eSCM-SP Evaluations for Certification
  – Certifications issued for service providers with operations in US, India, Korea, Singapore, Argentina, Brazil, Philippines, Czech Republic

• Other uses
  – Over 30 pilot Capability Determinations
  – Numerous internal appraisals
  – Internal benchmarking of processes against eSCM models
ITScq Role in Certification

- ITScq approves selected Authorized Organization, Determination Team and the Determination Plan
- ITScq determines sampling for the Capability Determination
- ITScq monitors team progress during the Determination
- ITScq Certification Board reviews Determination data and issues certificates for service providers (or client organizations) indicating:
  - span of organization being certified (sites)
  - Model Scope covered
  - duration of certification (effective and expiration dates)
  - Services being certified
  - Results of the certification (Capability Level achieved or Capability Areas satisfied)
- ITScq website provides a list of Certified organizations
Major benefits of eSCM-SP certification:
- objective, consistent means of service provider evaluation/selection
- risk mitigation mechanism providing customers with detailed analysis of provider capabilities
- process alignment between customers and providers is facilitated (having complimentary processes for each)

Major benefits of eSCM-CL certification:
- basis for negotiating better rates with providers (will offer better deals to customers where processes are certified by a known standard)
- signal competence in sourcing to regulators and the board
- leadership as best customers and benchmarking with competitors - attracting best providers
- encourages agile and innovative customer/supplier relationships
Global Adoption of eSCMs

Adoption activities underway globally
- Asia Pacific (Australia, China, India, Philippines, Singapore, South Korea)
- Europe (Belgium, Czech Republic, France, Germany, Ireland, Italy, Netherlands, Portugal, Russia, Spain, Switzerland, U.K.)
- North America (Canada, Mexico, USA) and South America (Argentina, Brazil, Chile, Colombia and Costa Rica)

Publications and Community Involvement
- Models published by internationally-recognized publisher
- More than 50,000 copies of Models downloaded
- Mapping and measurement technical report downloads exceed 10,000 copies
- Capability Determination Methods and data are made available to business communities and researchers via our website (http://itsqc.org)
- Addressing needs for process integration and co-certification in quality standards community

Selected Provider Certifications
- Accenture BPO, Bangalore, India
- Cognizant BPO, India
- Frontline Outsourcing (Asia) PTE LTD, Singapore
- Hinduja Global Solutions, US, India, Philippines
- IBM Global Services, Strategic Outsourcing, Brazil
- IBM Global Services, Strategic Outsourcing, Buenos Aires, Argentina
- IBM Global Services India (IGSI), BTO Operations and IBM-Daksh, a wholly owned subsidiary of IBM, (Bangalore), India
- Infosys BPO, Bangalore, Jaipur, and Pune, India & Brno, Czech Republic
- iNautix (Pershing/BNY Mellon), India
- LG CNS Infrastructure Service Center (ISC), South Korea
- Phoenix Health Systems/Children’s Hospital, Pittsburgh, PA
- SK C&C, OS Infra Business Division, South Korea
Experiences from implementing eSCM-SP
Companies using the eSCM-SP have reported improved business performance that they attributed to implementing the model.

<table>
<thead>
<tr>
<th>Company</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accenture</td>
<td>Shorter start-up times for new engagements, greater mobility of personnel across engagements, improved lesson sharing across engagements, better visibility of dependencies and commitments, and reduced deployment and acceptance time for best practices [Heston 2006]</td>
</tr>
<tr>
<td>BDS (an HP company)</td>
<td>Evolve the client relationship, develop a community of trust, and align cultures [Phifer 2006]</td>
</tr>
<tr>
<td>IBM</td>
<td>Better innovation, performance, and efficiency [Hickey 2008]</td>
</tr>
<tr>
<td>Infosys</td>
<td>Enhanced client relationships, transformation savings during transition, improved process capability, improved employee satisfaction, and improved client satisfaction [Chaudhry 2009]</td>
</tr>
<tr>
<td>Vela Health</td>
<td>Improved knowledge and intellectual capital management [Biro 2003]</td>
</tr>
<tr>
<td>Phoenix Health Systems</td>
<td>Reduced system downtime, increased user satisfaction, reduced costs, and increased productivity [Jamison 2009]</td>
</tr>
</tbody>
</table>
Common Benefits Experienced

• Early identification of critical improvement needs
  – Capability Determinations have repeatedly been shown to consistently identify relevant issues

• Service improvement
  – Quantifiable quality
  – Customer Satisfaction

• Workforce competencies identified and addressed

• Business impacts
  – Emphasis changes from a mindset of projects -> service management -> *value management*
  – Certified organizations have been a finalist or winner of several national or international quality awards
    • Argentina National Quality Award & Iberoamerican Quality Award – IBM Global Services, Argentina
    • Rajiv Gandhi National Quality Award, Large Scale Service Industry - Nipuna Services Limited, India
Benefits in a BPO setting

• enhanced client relationships,
• transformation savings during transition,
• improved process capability,
• improved employee satisfaction, and
• improved client satisfaction
Infosys BPO

- Healthcare, insurance, life sciences, and other sectors
- Delivering Customer Contact Services, Finance and Accounting, Human Resource Outsourcing, Knowledge Services, Order Management and Procurement, and Industry Solutions
- Annual revenues increased from USD 86M in 2006 to USD 311M in 2009
- Certifications: eSCM-SP, ISO 9001-2001, BS7799, SAS 70 Type 2, Six Sigma

Phoenix Health Systems – Children’s Hospital of Pittsburgh

- Healthcare ITO and BPO sector
- Delivering Application & Integration services, Project & Portfolio Management services, Help Desk, Desktop, and Network services
- Certification: eSCM-SP
Accenture BPO – Healthcare Administration

- Services provided - business process expertise, global delivery and deep industry experience to transform health care providers' back-office support services and help them gain competitive advantage by ensuring improved quality of services
- 8000 employees during 2008:
  - Processed over 20 million enrollment transactions at 98.5 percent accuracy
  - Adjudicated more than 14 million claims totaling over $2.5 billion at 99 percent accuracy
  - Processed more than 2 million provider updates at 95 percent accuracy
  - Reconciled $18.5 billion in premium payments at 98 percent accuracy.
- Standards – Corporate quality processes incorporate eSCM-SP, to be able to attain eSCM-SP Capability Level 3 certification within 6 months of any client request and CMMi Level 3 assessment results. Also implement ITIL and ISO standards where appropriate.
Enhanced process related to managing client relationships, proactively providing value addition and transitions / service transfer resulting in process improvements (transformation savings), improved client satisfaction and seamless transfer of work.

- 478 projects closed in last three quarters against 262 projects closed in previous financial year
- Performance on transformation has enabled Infosys BPO to differentiate at the market place and win deals
Seamless Transfer of work

Relationship Management - 2

Transition Methodology

Service Transfer - in

- Captive shared services arm of European Electronics manufacturing, 1500 employees across three locations
- Transferring people resources for asset and insurance management services company of USA from India facility

Service Transfer - out

- Well established methodology followed to seamlessly transfer out the processes of a mortgage company

Practice of Tollgate reviews was instituted as part of the Transition Methodology. This practice has shown improvements in adherence to methodology and is enabling effective transitions. Also transition out has been institutionalized.
Enhanced the “Operations Methodology” (Infosys BPO way of delivering services) resulting in improving process capability and reduction in customer complaints.

Meeting client and organizational commitments*

Reduction of client complaints

* Process Capability assessment includes commitments - process metrics & organizational requirements like people (attrition) and financial (revenue, margins) metrics
**Other Key Capability Areas**

**People Management**: Strengthened practices related to right skilling and career development resulting in improved employee satisfaction (work environment)

**Threat Management**: Institutionalized risk assessment practices at engagement and enterprise level resulting in reduction in % of revenue from critical risk engagements

**Employee Satisfaction**

<table>
<thead>
<tr>
<th>Year</th>
<th>Satisfaction (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 06</td>
<td>56%</td>
</tr>
<tr>
<td>FY 07</td>
<td>80%</td>
</tr>
<tr>
<td>FY 08</td>
<td>88%</td>
</tr>
</tbody>
</table>

**De-risking the business**

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 09 (Q1+Q2)</td>
<td>0.90%</td>
</tr>
<tr>
<td>FY 09 (Oct-Nov)</td>
<td>0.10%</td>
</tr>
</tbody>
</table>

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Companies using the eSCM-SP: An international service provider

- **Process**
  - Decrease of IT service failure and continuous Improvement of service availability.
  - Reduction of Mean Time To Repair.
  - Increase of problem correction rate.

- **Customer**
  - Enhance of relation management with suppliers and partners.
  - Increase customer satisfaction.

- **Workforce**
  - Workforce competency enhancement.
  - Increase productivity of Client Service Request (CSR) handling
  - Developing personnel Hot Skill.

- **Business**
  - Set up Global level process sets
  - Business Productivity Improvement - Objective Superiority
  - Demonstration of IT Infrastructure Operation
  - Domestic Business Competitiveness Assurance
  - Differentiation in overseas expansion
World-class ITO organizations - 1

IBM Global Delivery Centre, Argentina

- Services – a world-wide excellence center in Information Technology Solutions (applications development and infrastructure) with high added value, continuously evolving and generating long term relation relationships with customers and local community

- Growth from 2004 to 2009 – from 5 to 150 clients, from one country (US) to 8 countries and from 81 employees to 3,800 employees

- Certifications and quality initiatives include: eSCM-SP Capability Level 5 (twice), ISO 9001-2000, Lean Six Sigma initiatives, National Quality Award 2009, Iberoamerican Quality Award 2010
World-class ITO organizations - 2

IBM
Global Delivery Center
Argentina

- **Feb - 2011**
  eSCM-SP Level 5 Recertification

- **Dec - 2010**
  Premio Iberoamericano a la Calidad

- **Sept - 2010**
  ISO 20000

- **Nov - 2009**
  Argentina National Quality Award

- **Sept - 2009**
  ISO 9001:2008

- **Jan - 2009**
  eSCM-SP Level 5

- **Aug – 2008**
  Special Recognition National Quality Award

- **Feb - 2007**
  eSCM – SP Level 4

- **Nov- 2006**
  ISO 9001:2000

- **Sept – 2006**
  Six Sigma Quality Program

- **Jun - 2006**
  Quality Circles
Results from eSCM-SP implementation in a network operations center

- eSCM-SP implementation benefits included:
  - 24% reduction in network interruption
  - 25% reduction on average interruption per backbone facilities
  - 12% improvement in recovery within 30 minutes
  - 7% improvement in user satisfaction
  - 49% reduction in total time of back-bone network interruption

![Failure Time Reduction Chart]

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Y02 to Y04 change was statistically significant \[ t(22)=3.70, \ p<0.01 \]
Use of the eSCM-SP & eSCM-CL by a Client Organization and their Service Provider

**Case Study: Use of the Service Provider Model**
- A multi-national company addressed issues with their existing service provider through the use of the eSCM-SP model

**Context and Business Benefits:**
- The company had historically received unsatisfactory services from its incumbent service provider
- This resulted in a lack of trust which threatened the continued use of the service provider
- TPI and the ITSqc worked with both the client organization and the service provider to identify “pain points” and how the best practices in the eSCM models could help improve both sides of the relationship
- The client and service provider amended their contractual agreement to include a long-term quality improvement plan to address the existing issues in the service provider’s delivery model using Practices from the eSCM-SP, with milestones and financial implications
- Created a win-win: the client has received improved service delivery and the service provider has kept (and grown) the business with a more satisfied client
Experiences from implementing eSCM-CL
Case Study #1: Use of the Client Model

- A health care company used the eSCM-CL model to set up a corporate Center of Expertise (COE) to lead and facilitate the entire sourcing lifecycle throughout the enterprise

Context and Business Benefits:

- The company had historically been a significant user of outsourcing services, but the initiatives were all done on a piece-meal basis with no overarching strategy or synergies
- The existing sourcing relationships were managed individually by each business unit with no visibility into overall spend and management practices
- The eSCM-CL model provided a “neutral” view of best practices that were used to initiate dialogue throughout the enterprise
- The COE was set up to be an internal consulting and reporting function to increase visibility, use, and sharing of best practices and strategic direction for sourcing
- The company has rationalized the number and use of service providers to create more synergies and strategic partnerships at the enterprise level
Case Study #2: Use of the Client Model

- A large financial institution used the eSCM-CL model to assess the post-contract management practices of their global Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO) contracts.

Context and Business Benefits:
- The eSCM-CL model provided instant use of a common framework and terminology for dispersed teams in multiple geographic regions.
- The company was able to identify both enterprise-wide and region-specific issues and challenges which helped prioritize overall needs.
- Each regional team was assigned tasks that were leveraged throughout the enterprise, creating efficiency and scalability.
- Created dialogue and ongoing knowledge management to share best practices across regions and between ITO and BPO relationships.
- The company realized benefits in mitigating risks and increasing efficiencies throughout the enterprise.
Case Study #3: Use of the Client Model

ITSqc was asked by a major global provider to present the eSCM Models during a regular management review with a major customer. ITSqc participated in this meeting to discuss the eSCM-SP and the eSCM-CL and their uses with the service provider and their client. Client later invited ITSqc to visit them to discuss their use of the eSCM-CL for sourcing and vendor management and the eSCM-SP for internal service delivery.

Business Benefits:

The client organization had benchmarked their current sourcing processes against the eSCM-CL, and to identify both enterprise-wide and region-specific issues and challenges which helped prioritize overall improvement needs. Prioritized needs were being addressed by teams chartered to develop new processes and procedures identified as a result of the benchmark gap analyses. Created dialogue to capture and share best practices across sourcing activities throughout the organization. The company realized benefits through deploying improved sourcing processes and increasing efficiencies throughout the enterprise.
Sourcing at LaPoste: a four dimension Plan

1. Defining Sourcing Strategy
2. Taking our Sourcing management practices to a higher professional level
3. Service Providers are committed to excellence
4. Sharing Sourcing experience within La Poste organization

IT Operations Services
Application Development & Management
other sourcing services
• Point 1: Sourcing Strategy
  – Setting up a Sourcing Strategy (using eSCM-CL)
• Point 2: Taking our sourcing practices to a higher professional level
  – To improve internal sourcing practices and to make them more professional (using eSCM-CL)
• Point 3: To get service providers committed to excellence
  – To work together with our service providers in order to get them committed to excellence as far as their sourcing practices are concerned (using eSCM-SP)
• Point 4: Sharing sourcing experience
  – eSCM-CL and eSCM-SP provide common framework for this
LaPoste Benefits from using the eSCM-CL Framework

• The only best practices model covering all the sourcing processes across the sourcing lifecycle including
  – Sourcing Policy,
  – Agreement phase,
  – Implementation and day-to-day sourced services management,
  – Completion
• Common language for better mutual understanding (both for client organization, as well as with service providers)
• Clear roles and responsibilities assignment for better efficiency
• Using the eSCM-CL framework as a roadmap or guide to continuously improve the organization’s sourcing processes
• Compatible with, and complementary to, other “best practices” models implemented or being implemented within La Poste (CobiT, ITIL, CMMI, ISO 27001)
A Call to Action
Call for Action

• Engage in change and improvement in sourcing relationships
  – Conduct initial examinations of your relationships and consider how they compare to the defined Capability Levels by
    • Perform a baseline appraisal and using results to guide improvements
    • Agree between client and provider to apply eSCM-SP and eSCM-CL for a jointly agreed upon set of best practices
  • Do this at the same time to realize benefits together
• Consider how eSCM adoption can benefit your organization
  – Participate in training courses to learn more about the Models
    • See the ITSqc website for Training Courses and Training Providers
  – Review the Models and map of your current processes to the Model’s Practices
  – Consider building on internal expertise to implement best practices of the eSCMs in your sourcing relationships
  – Share your experiences/feedback with ITSqc
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