eSCM-CL - Sourcing Best Practices and Benefits

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This Presentation:

What are the eSCMS?
How are eSCMs used?
• Three vignettes of eSCM-CL use
• LaPoste example

Introduction of Panelist
 Origins of eSCMs

The eSourcing Capability Models (eSCMs) were originally developed by the ITSqc (Information Technology Services Qualification Center) at Carnegie Mellon University.

They are “Best Practices” Models for sourcing.

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Why outsourcing achieves less benefit than it could

“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 - 1

- Address the entire Sourcing Life-cycle
- Provide necessary coverage of Analysis, Initiation and Completion phases of the Sourcing Life-cycle – not just delivery!
- Are designed to be complementary to existing quality standards and models, e.g., ISO 9001, 20000, 27001, etc.
- Are complementary to the OPBOK
- Contain a set of practices that encourage provider and client organizations to continuously improve and innovate
eSCMs are available from global publisher: Van Haren

ISBN 978 90 8753 561 2

ISBN 978 90 8753 559 9
eSCM books – in association with IAOP

Appendix D in both books maps the eSCM to the OPBOK
<table>
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<tr>
<th>OPBOK</th>
<th>eSCM-CL</th>
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<tr>
<td>Body of knowledge for outsourcing professionals</td>
<td>Set of best practices for sourcing clients.</td>
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<td></td>
<td>It is organization focused</td>
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<tr>
<td>Certification (COP) program is for individual outsourcing professionals</td>
<td>Certification is for organizations (individuals cannot be eSCM-CL certified)</td>
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<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>
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<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>
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eSourcing Capability Models - 2

- Provide an indication of an organization's capabilities with respect to the rest of the industry
- Are a tool for clients and service providers to consistently and comparably evaluate their sourcing capabilities
- Provide guidance for improving sourcing capabilities
- Provide risk mitigating information to clients about their capabilities and the capabilities of potential service providers/suppliers.
The eSCM-SP and eSCM-CL are designed to be complementary Models, addressing best practices for both sides of a sourcing relationship.
CL4
Proactively enhancing value

CL3
Managing organizational sourcing performance

CL2
Consistently managing sourcing
Using the Models – two ways organizations benefit:

1. **Capability Determinations (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)

   Types of Capability Determinations include certification of service providers (see website for list)

2. **Capability Improvement (guiding improvement)**
   The Models serve as a set of requirements for an organization’s sourcing processes

   Organizations use the eSCMs as a roadmap or guide to improve their processes and to mitigate sourcing risk
Threshold Moment for IAOP as Well: Corporate & Professional Development

Certified Outsourcing Executive (COE)
Certified Outsourcing Professional (COP)
Certified Outsourcing Specialist (COS)
Professional Training & Certification

eSourcing Capability Model – Client Organizations (eSCM-CL)
eSourcing Capability Model – Service Providers (eSCM-SP)
Organizational Processes & Certification

Two Pillars

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Benefits of Organizational Certification with eSCMs

• **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)
  – leadership as best customers and benchmarking with competitors - attracting best providers
  – encourages agile and innovative customer/supplier relationships
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
Four vignettes of eSCM-CL Adoption*


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*The eSCMs are also in use in 45 countries globally
Case Study #1: Use of the Client Model

- TPI assisted a health care company utilize 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

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

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: Client Use of the Service Provider Model

• TPI and the ITSqC assisted a multi-national company address issues with their existing service provider through the use of the eSCM-SP model

Context and Business Benefit:

• 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 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-SP model could help address the existing issues in the service provider’s delivery model
• The client and service provider amended their contractual agreement to include a long-term quality improvement plan with milestones and financial implications to improve the existing service
• 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
Case Study #4: 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 key customer
- 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 was able to benchmark 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. Other sourcing services
4. Sharing Sourcing experience within La Poste organization

Service Providers are committed to excellence
• 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
Benefits

- 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 (client & 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 detailed example of eSCM-CL Adoption

1. Carvajal Tecnologia y Servicios, Colombia
   • Diego Tovar

For additional information:
Email: bhefley@itsqc.org
Website: http://www.itsqc.org