



The eSCM-CL v1.1: Practice Details

The eSourcing Capability Model for
Client Organizations (eSCM-CL) v1.1

William E. Hefley and Ethel A. Loesche

PART
2

eSCM-CL

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Abstract

The eSourcing Capability Model for Client Organizations (eSCM-CL) is a "best practices" capability model developed to give clients of IT-enabled services guidance toward improving their capability across the sourcing life-cycle. Additionally, it provides client organizations with an objective means of evaluating their sourcing capabilities. It is comprised of 95 Practices that address the critical capabilities needed by client organizations engaged in sourcing activities, specifically focused on sourcing IT-enabled services. This document contains the details of the 95 eSCM-CL Practices. Each Practice is arranged along three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level. The Sourcing Life-cycle is divided into Analysis, Initiation, Delivery, and Completion, plus Ongoing, which spans the entire Sourcing Life-cycle. The seventeen Capability Areas are logical groupings of Practices that help users to remember and intellectually manage the content of the Model. The five Capability Levels, numbered 1 through 5, describe an improvement path that progresses from a limited capability to perform sourcing up to the highest level of sustaining excellence over time in the client organization's sourcing activities.

To learn more about the eSCM-CL, see *The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 1: Model Overview*, which describes the development and intent of the Model itself in more detail.

Keywords

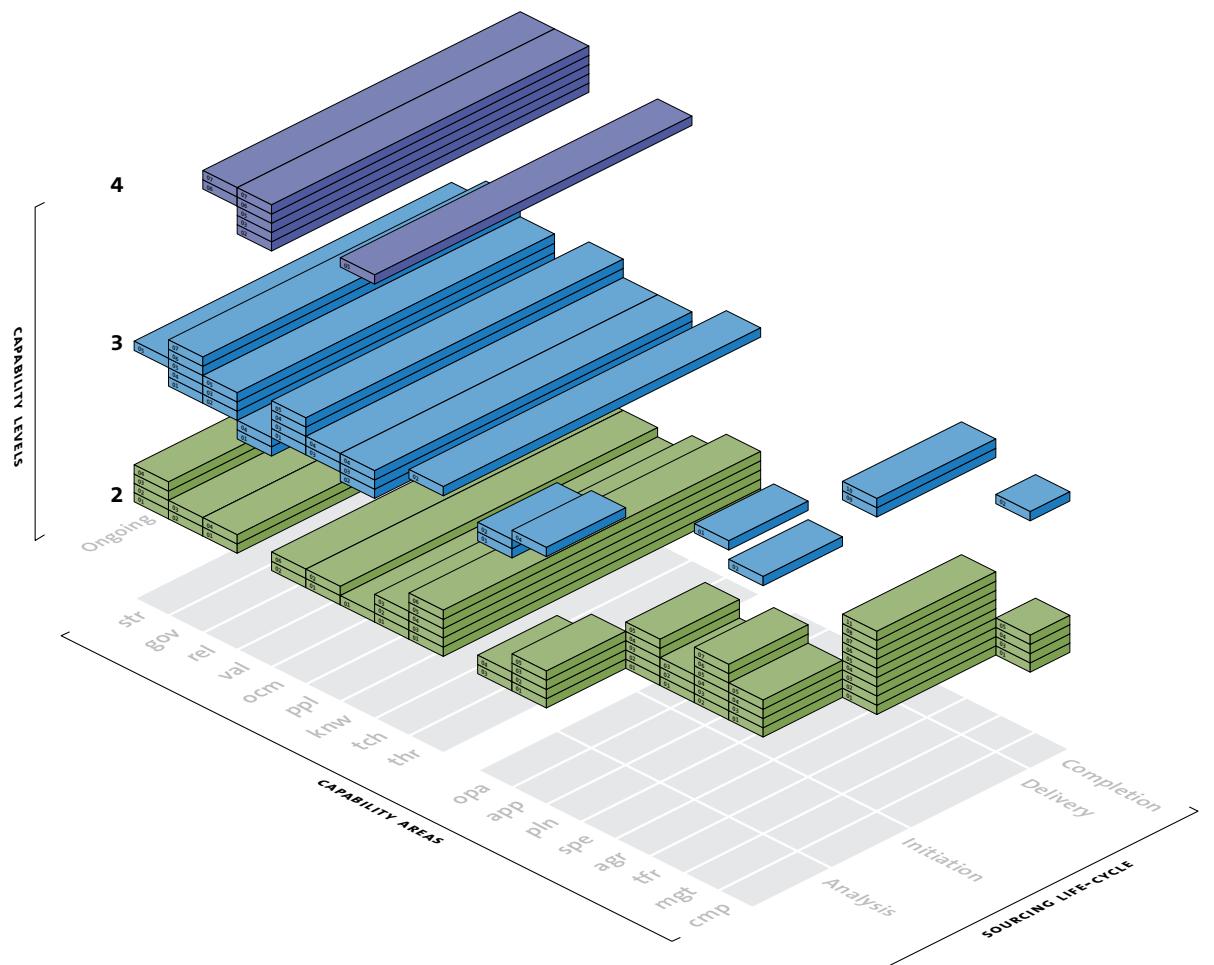
eSourcing, eSCM, eSCM-CL, eSourcing Capability Model, client organization model, best practices, quality models and systems, capability models, business process outsourcing, BPO, information technology, information technology outsourcing, ITO, IT-enabled sourcing, ITES, IT-enabled outsourcing services, IT-enabled services, knowledge process outsourcing, KPO, outsourcing, insourcing, shared services, captive centers, offshoring, outsourcing models, sourcing, sourcing models, governance, sourcing relationships.

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Introduction

The eSourcing Capability Model for Client Organizations (eSCM-CL) is a “best practices” model that provides client organizations who engage in eSourcing activities with the means of continuously improving their management of sourcing activities. The eSourcing Capability Model for Client Organizations (eSCM-CL) has two purposes: (1) to give client organizations guidance that will help them improve their capability across the sourcing life-cycle, and (2) to provide client organizations with an objective means of evaluating their capability.

The current version of the Model documented here, eSCM-CL Version 1.1, is comprised of 95 Practices that address the critical capabilities needed by eSourcing client organizations. It was developed by a research consortium led by Carnegie Mellon University’s Information Technology Services Qualification Center (ITSqc).

The 95 Practices are arranged along three dimensions: Sourcing Life-cycle, Capability Areas, and Capability Levels. The Sourcing Life-cycle includes Analysis, Initiation, Delivery, and Completion, each of which represents an individual phase of the Life-cycle, plus Ongoing, which spans the entire Life-cycle. Capability Areas are groupings of Practices with similar content and focus. Capability Levels represent a path of improvement for client organizations.

This document provides valuable reference information about the eSCM-CL Practices including information on Model structure, Practice interpretation, and measurement. It is important to understand the structure of the Model and Practices in order to implement them effectively and properly. *The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 1: Model Overview* [Hefley 2006] focuses on the Model, rather than the Practices. It covers the Model’s development, structure, implementation, and measurement. In addition, Part 1 describes Evaluation for Certification and the methods used for capability determination. This document (*The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 2: Practice Details*) provides the details for each of the 95 eSCM-CL Practices.

CHAPTER 1

Understanding the Model

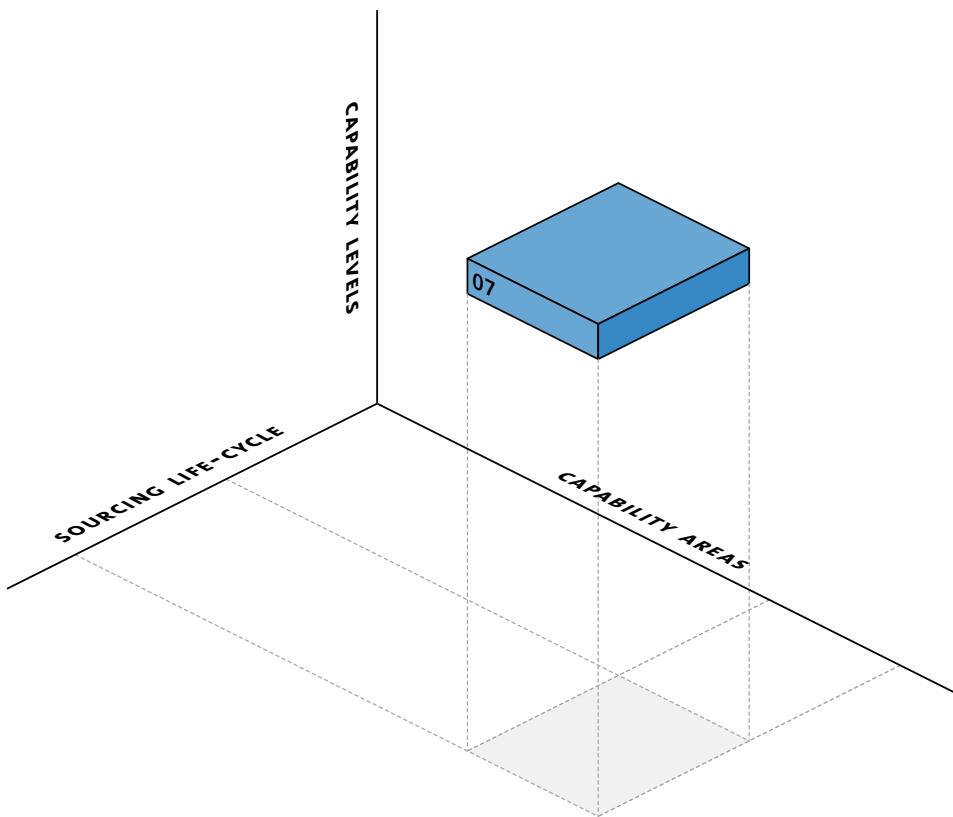


Practices

The eSCM-CL is composed of 95 Practices, which can be thought of as the “best practices” that are associated with successful sourcing relationships. These 95 Practices are tasks that client organizations successfully performing sourcing of IT-enabled services, or eSourcing, would typically perform. Each Practice is arranged along three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level. Figure 1 illustrates these dimensions.

Figure 1.
Practice Attributes

Each eSCM-CL Practice is distributed along each of three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level.



Each Practice in the eSCM-CL includes a statement summarizing the best practice, a description of the best practice, a list of activities needing to be performed, and supplemental information that helps clarify those activities. More information on the structure of the Practices is in Chapter 2, “The Practice Structure.”

Sourcing Life-cycle

The Sourcing Life-cycle is divided into Ongoing, Analysis, Initiation, Delivery, and Completion. Ongoing Practices span the entire Sourcing Life-cycle, while Analysis, Initiation, Delivery, and Completion Practices occur in specific phases of that Life-cycle.

During Analysis, the client organization analyzes its operations and potential functions to identify those that can be sourced, and develops the approach to be taken to sourcing the identified opportunities. During Initiation the organization prepares to select one or more service providers,

depending on the sourcing approach chosen; evaluates potential service providers; negotiates with service providers; agrees on requirements; and transfers that service, process, or function to the selected service providers. Initiation may also include transfer of knowledge, personnel, technology infrastructure or other assets, and intellectual property. During Delivery, the client organization monitors the ongoing service delivery according to the agreed-upon commitments and manages the sourcing relationship. During Completion, the client organization plans and ensures the transfer of resources back to the client, or to the client's designee, and ensures the continuity of service delivery. Figure 2 shows the Sourcing Life-cycle.

Ongoing Practices represent management functions that need to be performed during the entire Sourcing Life-cycle. In order to meet the intent of these Practices, it is important to perform them across the whole Sourcing Life-cycle; an organization that only performs an Ongoing Practice during Delivery is not meeting the intent of the Practice.

Some Ongoing Practices typically take place at the level of a particular sourced service, crossing all phases of the Sourcing Life-cycle for that sourced service. These are usually performed on a periodic or as-needed basis, with the frequency being defined by the needs of the client organization. For example, ocm05, "Communicate Organizational Changes," addresses establishing and implementing communications strategies and plans. This Practice is specific to a sourced service and happens during all phases of an engagement. Each sourced service has its own communications plan, which needs to be established and implemented to ensure that all stakeholders have the appropriate information about the sourced service. When the engagement is completed its communication plans are typically completed as well, and are no longer needed or tracked.

Other Ongoing Practices are implemented across sourced services, at the organization level. For example, thr02, "Organizational Risk Management," addresses establishing and implementing procedures to manage risks across multiple sourced services and service providers. These risk identification, management, and mitigation activities may not be specific to any sourced service, however, they may be related to (or derived from) risks encountered in specific sourced services. These risks can exist, and be managed, tracked, and communicated independent of any specific sourced service or service provider engagements. As long as the client organization exists then its organizational risk management program needs to exist.

Capability Areas

Capability Areas are logical groupings of Practices that can help users better remember and intellectually manage the content of the Model. Capability Areas also provide a framework that client organizations can use to build or demonstrate capabilities in each critical sourcing function.

Practices in the same Capability Area have related content and focus; considering why a Practice has been placed in a Capability Area may help provide context for interpreting that Practice. Figure 3 shows the seventeen Capability Areas. For example, gov01, "Sourcing policy," is in the Governance Management Capability Area, not the Sourcing Strategy Management Capability Area. Although the content of the Practice deals with implementing the client organization's sourcing strategy, the primary focus of this Practice is on providing organizational policy that sets in place the organization's guiding principles for its sourcing activities that have been established by senior

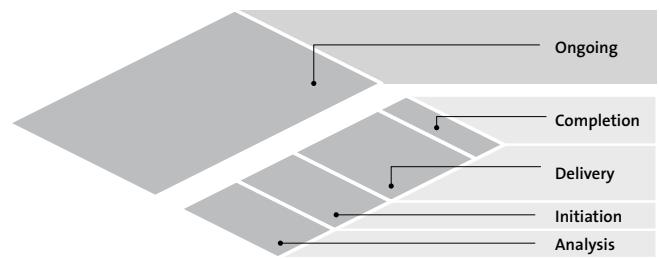
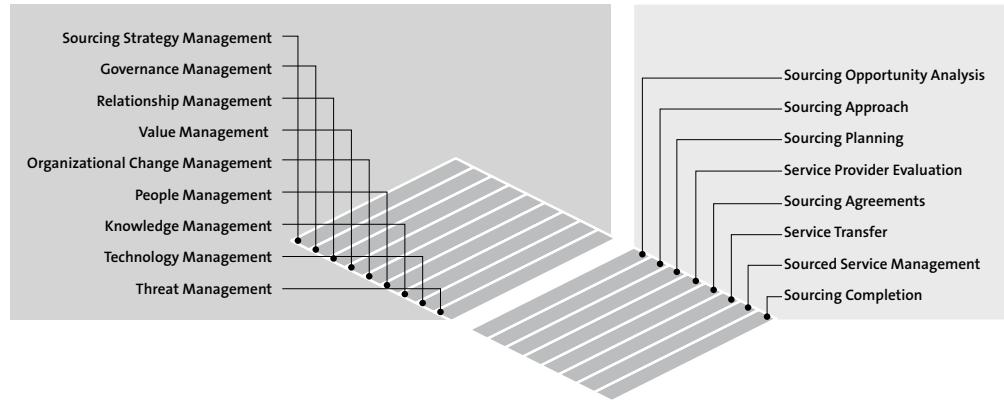


Figure 2.
The Sourcing Life-cycle Analysis, Initiation, Delivery, and Completion are phases of the Sourcing Life-cycle addressed by the eSCM-CL, while Ongoing spans the entire Sourcing Life-cycle.

management, adopted by the client organization, and intended to guide, influence, and determine sourcing and sourcing management decisions. In this case, the context of the Capability Area helps to clarify that focus.

Figure 3.
The Capability Areas
 All of the Ongoing Practices are contained within nine Capability Areas. The other eight Capability Areas are associated with a single, temporal phase of the Sourcing Life-cycle.



All of the Ongoing Practices are contained within nine of the seventeen Capability Areas: Sourcing Strategy Management, Governance Management, Relationship Management, Value Management, Organizational Change Management, People Management, Knowledge Management, Technology Management, and Threat Management. The Ongoing Capability Areas are presented by focus:

- Governance-Focused
 - Sourcing Strategy Management
 - Governance Management
 - Relationship Management
 - Value Management
- Competency- and Change-Focused
 - Organizational Change Management
 - People Management
 - Knowledge Management
- Environment-Focused
 - Technology Management
 - Threat Management

The other eight Capability Areas are temporal and are associated with a single phase of the Sourcing Life-cycle: Analysis, Initiation, Delivery, or Completion. These eight Capability Areas are Sourcing Opportunity Analysis, Sourcing Approach, Sourcing Planning, Service Provider Evaluation, Sourcing Agreements, Service Transfer, Sourced Services Management, and Sourcing Completion. These temporal Capability Areas (by phase) are:

- Analysis
 - Sourcing Opportunity Analysis
 - Sourcing Approach
- Initiation
 - Sourcing Planning
 - Service Provider Evaluation
 - Sourcing Agreements
 - Service Transfer
- Delivery
 - Sourced Services Management
- Completion
 - Sourcing Completion

Capability Levels

The third dimension in the eSCM-CL is Capability Levels. The five Capability Levels in the eSCM-CL describe a path of improvement for client organizations. This path starts from a desire to manage eSourcing services, and continues to the highest level, demonstrating an ability to sustain excellence in sourcing activities.

The eSCM-CL is a capability model, not a maturity model. Therefore, client organizations will often implement higher-level Practices to meet specific near-term goals. It is perfectly acceptable for a client organization to begin implementing some Capability Level 4 Practices before it has completed implementing Capability Level 2 and 3 Practices. Nevertheless, Practices are assigned a Capability Level for a reason, which must be understood before the intent of the Practice can be fully appreciated (see *The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 1: Model Overview*) [Hefley 2006]. Figure 4 illustrates the Capability Levels and the Practices associated with each.

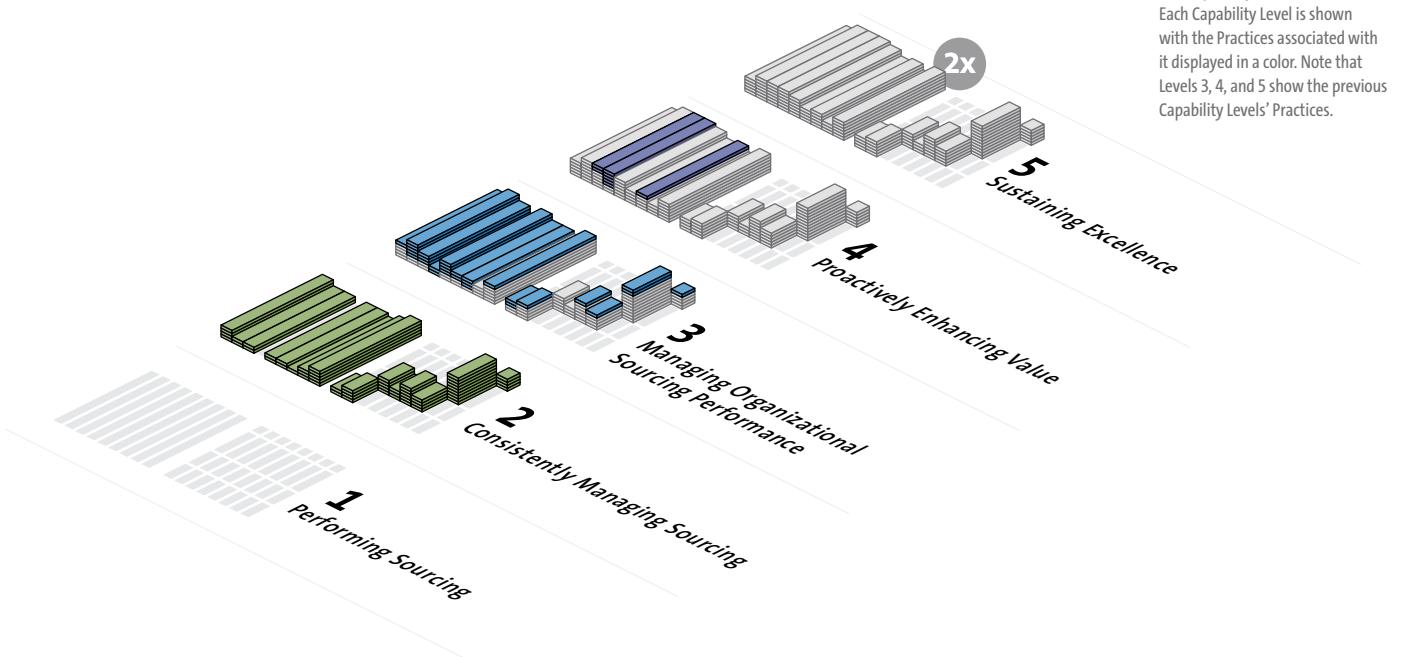




Figure 5.
Capability Level 1:
Performing Sourcing
Capability Level 1 has no Practices
associated with it.

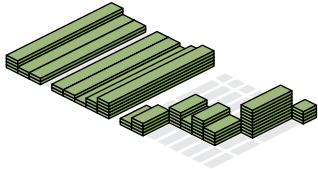


Figure 6.
Capability Level 2:
Consistently Managing Sourcing
Capability Level 2 has 58 Practices,
distributed throughout the
Sourcing Life-cycle.

Capability Level 1: Performing Sourcing

Client organizations operating at Capability Level 1 have not implemented all of the Capability Level 2 Practices; there are no Capability Level 1 Practices (see figure 5). The capability of these Capability Level 1 client organizations varies widely. Some may have almost none of the eSCM-CL Practices implemented. These client organizations are very likely to be a high risk for sourcing success because they may not have realistic expectations, a readiness for managing change or their sourcing activities, and may not be prepared to manage the sourcing engagements or to align sourcing with their business needs. Many of these organizations see sourcing as a tactical exercise, rather than as a strategic part of their overall management capabilities. Other client organizations may have many of the eSCM-CL Practices implemented, including some Practices at Capability Levels 3 and 4. Because these client organizations have not fully implemented all of the Capability Level 2 Practices, they may conduct their sourcing management activities successfully, but they will still be at risk of failure in areas where they have not implemented the necessary eSCM-CL Practices.

Capability Level 2: Consistently Managing Sourcing

Client organizations at Capability Level 2 have successfully implemented all of the Capability Level 2 Practices (see figure 6). Client organizations at Capability Level 2 have formalized procedures for managing their sourcing activities. Client organizations are able to manage sourcing activities, but may not do so in the same manner across the entire organization and provided the services do not significantly vary from the organization's prior experiences. At Capability Level 2, the client organization has executive support and objectives for sourcing, selects and manages service providers, identifies sourcing opportunities and stakeholders, and ensures that sourcing management personnel have the skills and knowledge necessary to effectively manage and monitor sourcing using performance measures. Capability Level 2 client organizations have implemented all of the Capability Level 2 Practices and can demonstrate their effective usage.

Practices within Capability Level 2 should be interpreted in the context of how they contribute to meeting the requirements of the client organization and other stakeholders. These Practices are expected to have a benefit to the service provider as well, but the primary focus of these Practices is on enabling the client organization to manage their sourcing activities. At Capability Level 2, Practices are implemented for at least one engagement or sourced service, but could be applied to a larger organizational span.

For example, gov03 is “Establish and implement procedures to manage internal stakeholders” At first look, this Practice may appear to only benefit the client organization, enabling it to have consistent internal dealings with the business units and end-users. However, in order for the client organization to have a successful agreement with the service provider, the service provider must also have clear governance and communication channels that enable appropriate communications with and feedback from these internal stakeholders.

Capability Level 3: Managing Organizational Sourcing Performance

Client organizations at Capability Level 3 have effectively implemented all Capability Level 2 and Capability Level 3 Practices (see figure 7). Client organizations at Capability Level 3 are able to manage their sourcing activities according to an organizational strategy. As a result, they are capable of managing the sourcing of services that meet their requirements, even if those requirements differ significantly from their previous experience. At Capability Level 3, client organizations are able to manage their sourcing performance across the organization; understand targeted markets and service providers, including specific cultural attributes; identify and manage risks across sourcing engagements; and manage their sourcing activities based on common, established organizational processes.

Capability Level 3 client organizations improve themselves in reactive, measurable ways. Having established systems for managing service provider relationships, client organizations at Capability Level 3 continuously aim to improve their sourcing management capabilities. Improvements are reactive and are typically generated from the reviews of sourcing management performance and stakeholder inputs. The Level 3 client organization demonstrates measurable improvements across the organization, which are aligned with their organizational sourcing objectives and sourcing strategy, and are typically generated from measurement and verification activities. Organizational learning improves performance with respect to organizational objectives, sourcing strategy, and across sourcing engagements.

While Capability Level 2 Practices can be implemented for a single engagement or sourced service, starting at Capability Level 3, Practices cover a more complex organizational span (e.g., managing multiple sourced services simultaneously). Capability Level 3 client organizations share and use knowledge gained from their previous sourcing activities, develop a workforce competency so the organization has competent individuals available to support its sourcing activities, and manage their organizational change activities. They understand the varying issues of sourced services, including specific cultural attributes.

Both the service provider and the client share in the economies of scale achieved by the client organization's improvements. For example, thr02, "Establish and implement procedures to manage risks across multiple sourced services and service providers," is broader than the Capability Level 2 risk management Practice, thr01, "Establish and implement procedures to identify, assess, and manage sourcing risks." The Capability Level 2 Practice is focused on risks for a single sourced service, while the Capability Level 3 Practice is focused on managing risks across the client organization's sourcing activities. This broader focus enables the client organization to manage a portfolio of sourced services to achieve balanced risk while still achieving overall organizational sourcing objectives.

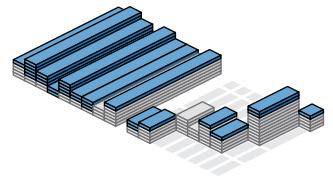


Figure 7.
Capability Level 3:
Managing Organizational
Sourcing Performance
Capability Level 3 has 29 Practices.
To achieve Capability Level 3,
a client organization must
implement all Capability Level 2
and 3 Practices.

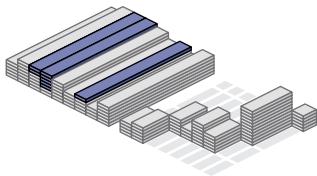


Figure 8.
Capability Level 4:
Proactively Enhancing Value
Capability Level 4 has 8 Practices. To achieve Capability Level 4, a client organization must implement all Capability Level 2, 3, and 4 Practices.

Capability Level 4: Proactively Enhancing Value

Capability Level 4 providers have effectively implemented all of the Capability Level 2, 3, and 4 Practices (see figure 8). Client organizations at Capability Level 4 are able to continuously innovate to add value to the organization. At Capability Level 4, the client organization is able to customize its approach to sourcing management for various relationships with service providers, develop relationships that focus on adding value and encouraging innovation, understand the value of its sourcing activities, and predict its performance based on previous experiences. The client organization supports this capability through systematically setting performance goals from a comparative analysis of its current performance as well as from internal and external benchmarks. Capability Level 4 client organizations support their abilities by leveraging their existing workforce competencies. They have effectively implemented all of the Capability Level 2, 3, and 4 Practices.

Capability Level 4 focuses on systematically enhancing performance across the entire organization through a set of programs that cut across the client organization's sourced services and relationships with its service providers, including those that use innovation to achieve objectives. This focus benefits the client organizations that are able to use those programs to achieve enhanced value and alignment with their own strategic objectives as a result of their sourcing capabilities. It also enhances the value of the client organization's sourcing activities to service providers who benefit from the client's innovative approaches and industry best practices.

Capability Level 4 organizations systematically plan, implement, and control their own improvement, typically generating these plans from their own performance benchmarks and value analyses. To illustrate this organization-wide focus, consider val06, "Analyze the business value and impact of organizational sourcing performance." This Practice specifies that the client organization regularly evaluate their sourcing performance in light of the impacts to the business and the value that its sourcing activities return. Doing this affects more than a single sourced service as these impacts may be broader than just a single function, cutting across and providing broad benefit to the entire client organization.

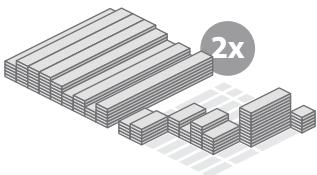


Figure 9.
Capability Level 5:
Sustaining Excellence
Capability Level 5 has no new Practices associated with it. Achieving Capability Level 5 requires sustained implementation of all 95 Practices by a client organization over the course of two consecutive Evaluations for Certification.

Capability Level 5: Sustaining Excellence

Client organizations at Capability Level 5 have demonstrated measurable, sustained, and consistent performance excellence and improvement by effectively implementing all of the Capability Level 2, 3, and 4 Practices for two consecutive Evaluations for Certification covering a period of at least two years (see Figure 9). There are no additional Practices required to reach Capability Level 5; effective, continued implementation of the 95 eSCM-CL Practices in a rapidly changing environment shows an ability to sustain excellence in its sourcing activities throughout the client organization over time.

The Model Structure

The eSCM-CL is composed of 95 Practices, each arranged along three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level. Figure 10 shows the complete Model structure.

Each of the 95 Practices of the eSCM-CL are associated with a specific combination of these three dimensions. Table 1 shows the Phases of the Sourcing Life-cycle, Capability Areas, and Capability Levels of the eSCM-CL and the number of Practices associated with each.

Appendix A is a one-page summary of the Practices. Appendix B contains a list of Practices by Capability Area. Note that each Practice is uniquely identified by its Practice identifier, which specifies which Capability Area and what sequence within that Capability Area identifies that specific Practice. Appendix C contains a list of Practices and their related eSCM-SP Practices.

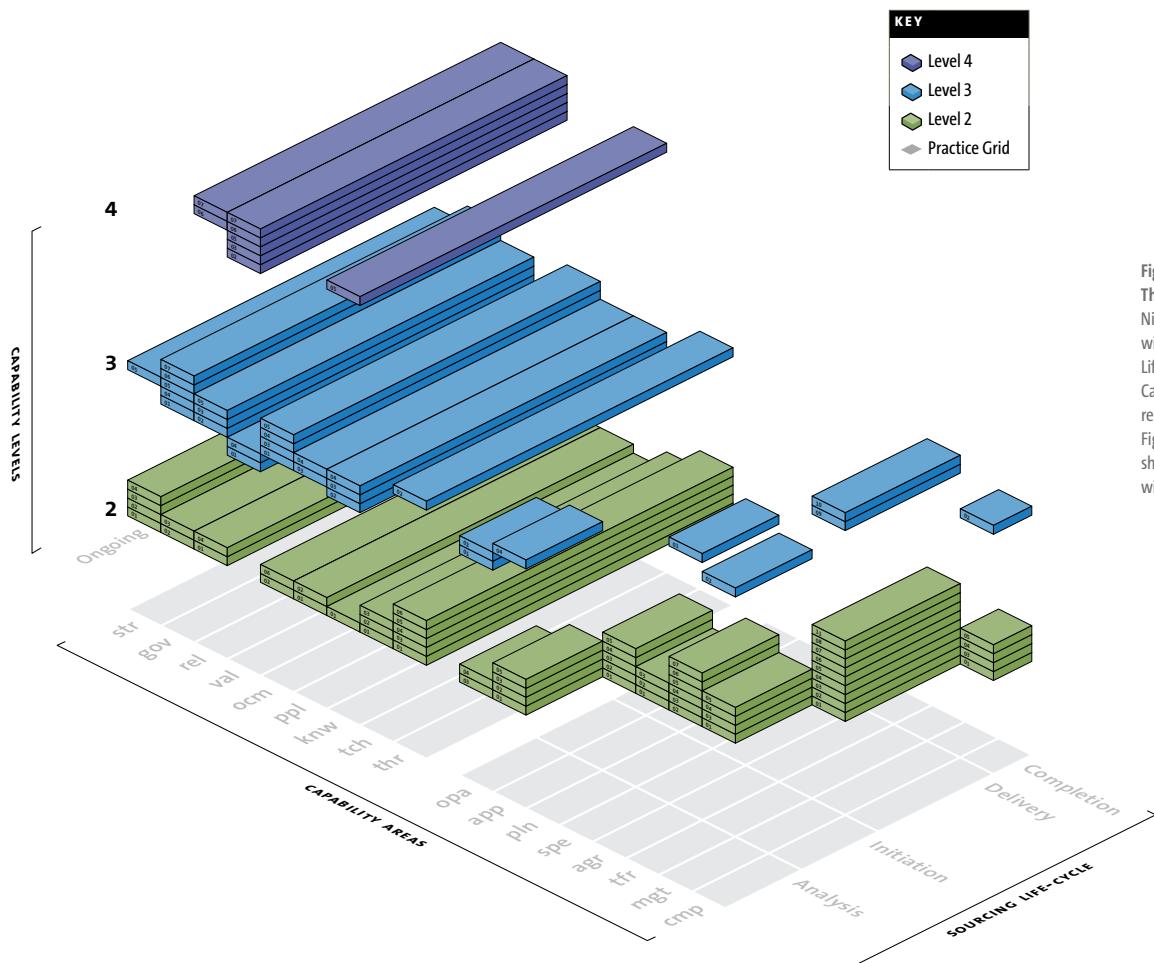


Figure 10.
The eSCM-CL
Ninety-five Practices are arranged within three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level. Each Practice is represented as a single bar in this Figure. Each Capability Level is shown with the Practices associated with it displayed in a color.

Table 1. eSCM-CL Practices by Capability Area and Capability Level

SOURCING LIFE-CYCLE	CAPABILITY AREA	CAPABILITY LEVEL			TOTALS
		2	3	4	
50 Ongoing	Sourcing Strategy Management (str)	4	1		5
	Governance Management (gov)	2	5		7
	Relationship Management (rel)	2	3	2	7
	Value Management (val)		2	5	7
	Organizational Change Management (ocm)	2	4		6
	People Management (ppl)	2	2		4
	Knowledge Management (knw)	1	3	1	5
	Technology Management (tch)	3			3
	Threat Management (thr)	5	1		6
9 Analysis	Sourcing Opportunity Analysis (opa)	2	2		4
	Sourcing Approach (app)	4	1		5
20 Initiation	Sourcing Planning (pln)	5			5
	Service Provider Evaluation (spe)	3			3
	Sourcing Agreements (agr)	6	1		7
	Service Transfer (tfr)	4	1		5
11 Delivery	Sourced Services Management (mgt)	9	2		11
5 Completion	Sourcing Completion (cmp)	4	1		5
Totals		58	29	8	95

In order to address both sides of eSourcing relationships, the ITSqc has developed the eSCM for Client Organizations (eSCM-CL), which addresses the challenges of sourcing relationships from the client's perspective, as well as the eSourcing Capability Model for Service Providers (eSCM-SP) [Hyder 2004a, 2004b]. The eSourcing Capability Model for Client Organizations (eSCM-CL) addresses a full range of client organization tasks, ranging from developing the organization's sourcing strategy, planning for sourcing and service provider selection, initiating the agreement, managing service delivery, and completing the service. The Client Model is based on the eSCM-SP; it contains client-focused counterparts to more than half of the eSCM SP Practices. Appendix C shows related Practices in each of these models. Each Practice in the eSCM-CL is distributed along the same three dimensions as the eSCM-SP, though the Sourcing Life-cycle is expanded to cover activities the client must perform prior to the beginning of the sourcing relationship, such as establishing a sourcing strategy, identifying potential service providers, developing a sourcing approach, and activities later in the sourcing relationship dealing with assuring alignment and value from the sourcing activities.

CHAPTER 2

The Practice Structure



What is a Practice? The eSCM-CL is composed of 95 Practices, which address the critical capabilities for eSourcing client organizations that are associated with successful sourcing relationships.

Practice Structure

A standard structure is used for all Practices in the eSCM-CL. Each of following components is included in each Practice. These components, as they are shown in the formatted Practices, are illustrated in Figure 13.

Practice attributes

The classifying attributes of each Practice are displayed in its left column: Capability Area, Sourcing Life-cycle phase, Capability Level, and Practice Type. Practice Types are described on page 17.

Practice header

General identification and classification information is displayed in the header. This includes the Practice identifier, the short description, the Capability Area (shown at the top of every page), the Capability Level (indicated by the color of the text in the header), and an “S” icon if the Practice is a Support Practice. Support Practices are discussed on page 21.

Practice statement

The Practice statement is a single sentence that states the requirement of the Practice. For example, the Practice statement for mgt02 is “Establish and implement procedures to monitor and verify that service commitments are being met.” When appropriate, the Practice statement reflects whether the Practice is a procedure, policy, guideline, program, or plan Practice.

Practice description

Each Practice description contains one or more paragraphs that explain the Practice’s purpose and its expected benefits to the client organization and/or service provider. The first sentence of the description typically provides the rationale for the Practice. Additional information about the intent of the Practice, definitions and examples, and important relationships between Practices are also included in the description.

Activities

The Practice's Activities are the tasks that the client organization needs to perform in order to successfully satisfy the Practice. Figure 11 shows how activities are formatted in a practice. Client organizations may perform a set of additional activities for any of the Practices in the Model. The Major and Required Activities (see below) defined in each Practice are the minimum set of activities that a client organization should perform, but the client organization should also implement and institutionalize whatever additional activities are necessary to meet their business conditions, objectives, and requirements.

Major Activities

Each Practice includes three Major Activities: *a*, *b*, and *c*. These are similar among all Practices, except for customizations according to each Practice's type (procedure, policy, guideline, program, plan, or other) and Capability Level. Practices at Level 3 or 4 may use the phrase "across the organization" to reflect that the Activities should be consistently and systematically performed across all sourcing activities of the client organization.

Major Activity *a* is concerned with supporting the creation and maintenance of the Practice. Major Activity *a* is focused on the preparation to perform the task. Major Activity *b* is concerned with documenting and implementing the work products and/or tasks for the Practice. Major Activity *c* is concerned with supporting the implementation or performance of the Practice.

Sub-activities

Each Major Activity has a set of sub-activities that provide more information about how to perform the Major Activity. There are two levels of sub-activities: Required Activities (e.g., b1, b3, and b5) and Recommended Activities (e.g., b2a, b3b).

Major Activity *a* and Major Activity *c* contain eight common Required Activities shown in Table 2 on page 22. These Required Activities are implemented by a set of Support Practices, as described on page 21. For certification, there must be positive evidence of the implementation of these Required Activities in Major Activities *a* and *c* for each Practice in order for the organization to be compliant with the eSCM-CL. That is, for certification, there must be positive evidence of all the Required Activities in order for the organization to be compliant with the eSCM-CL.

While Recommended Activities are not required, it is suggested that the organization also implement them. Only Major Activity *b* has Recommended Activities.

Supplemental Information

If there is supplemental information, it is displayed immediately following its associated Activity, and indicated with an arrow, as shown in Figure 12. Figures 11 and 13 show the placement of supplemental information within the Practice. Supplemental Information provides additional explanatory information to further convey the intent of the Activity. It may also provide examples of how the Activity can be implemented. The information provided here is informative only, and is not exhaustive.

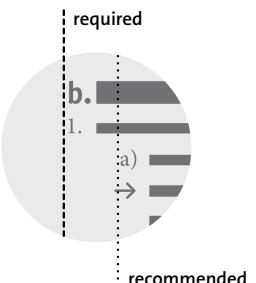
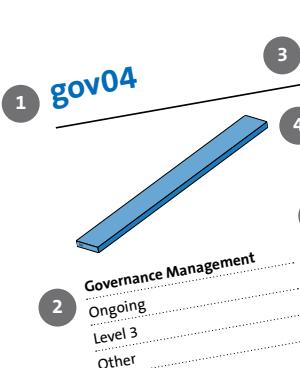


Figure 11.
Practice Activities
The Major Activities (e.g., *a* and *b*) and Required Activities (e.g., *b1*, *b2*) are shown at one level of indentation, while the Recommended Activities (e.g., *b1a*, *b1b*) and Supplemental Information are shown at another indentation. This highlights the required components of each Practice.



Figure 12.
Supplemental Information for an Activity
Supplemental Information is indicated with an arrow. The color of the arrow indicates the Capability Level of the Practice.



Defined Sourcing Processes

Establish and maintain documented sourcing processes for use across the organization.

Develop and maintain a set of documented sourcing processes that improve sourcing performance across the client organization, guide sourcing personnel in their activities, and provide a basis for cumulative, long-term benefits to the client organization. These benefits may include sourcing activities properly aligned with business objectives and processes, effectively organized, properly controlled, and verified by management review. These processes help to ensure mechanisms are in place to manage relationships with service providers while meeting the client's organizational sourcing objectives. With any sourcing relationship, problems may be experienced at some time during the life of the agreement. Without appropriate sourcing processes in place, the problems may fail to be identified or managed adequately. Well-developed and implemented sourcing processes enables the client organization to integrate and institutionalize best practices of planning, organizing, acquiring, implementing, delivering, supporting, and monitoring sourcing performance, to ensure that the client's sourcing activities support its business objectives.

This Practice is closely related to str04, "Sourcing objectives."

Activities

a. Provide support for creating and maintaining the work products and tasks for establishing and maintaining documented sourcing processes for use across the organization.

b. Document and implement the work products and tasks required for establishing and maintaining documented sourcing processes for use across the organization. Documentation and implementation include the following Activities:

1. Establish and maintain a set of sourcing processes and process assets for use across the organization.

→ Process assets are any guidance documentation (e.g., processes, policies, procedures, guidelines, job aids, templates, checklists), or infrastructure needed to perform the work described in the guidance documentation (e.g., repositories, training, and tools). Process assets at the organizational level improve organizational efficiency by supporting common processes, training, and measures.

2. Identify needed sourcing processes, based on sourcing objectives, strategy, and policy.

→ The client organization identifies and uses standard processes for managing service provider relationships and uses consistent processes when dealing with multiple providers across the organization.

3. Sourcing processes include processes for sourcing strategy; sourcing governance; relationship management; sourcing value management; sourcing opportunity identification and operationalization; sourcing service design, deployment and delivery; sourcing management; and service provider management.

4. Management establishes policies, sponsors process management, and acts as a role model to communicate that process discipline and improvement are important to the organization. Service providers may impact the process by executing tasks in it, interacting with it, or supporting it. Internal customers of the process provide vital feedback on whether the process is achieving tactical goals. The client organization provides feedback at a more strategic level on whether the process is addressing the client needs adequately.

5. b) Identify relevant stakeholders for each process and process asset.

→ Relevant stakeholders include senior management, sourcing managers, engagement managers, process owners, process users, process customers, and, potentially, service providers.

Figure 13. Parts of a Practice

1 Practice ID

The Practice identifier is made up of an abbreviation of the Practice's Capability Area and its sequence number within the Capability Area.

2 Practice attributes

The attributes of each Practice are displayed here: Capability Area, Sourcing Life-cycle, Capability Level, and Practice Type.

3 Short Description

A very short description of the Practice.

4 Practice statement

A brief description of the Practice that describes its requirements.

7 Required Activities

Activities at the second level.

5 Practice description

A paragraph or more that explains the Practice's purpose and its expected benefits.

8 Recommended Activities

Activities at the third level.

6 Major Activities

The three Activities at the highest level, labeled a, b, and c, are common to all Practices.

9 Supplemental Information

Additional explanation and examples for an Activity.

10 Support Practice Icon

This icon indicates that the Practice is a Support Practice.

Practice Types

The content and structure of each of the eSCM-CL Practices is based on the type of documentation used when implementing that Practice. Some Practices explicitly refer to establishing a policy, procedure, guideline, program, or plan. This reference has an impact on how the Activities are structured, as well as what type of documentation that needs to be in place in order to satisfy the intent of the Practice.

The level of detail required in a Practice's documentation depends on the type of that documentation. Policies are high-level documents used to communicate guiding principles and demonstrate management's commitment to their topic. Procedures are the most detailed documents since they need to describe step-by-step instructions for how to perform a given task. Guidelines are less detailed and are typically used for quick reference. Programs are groups of related projects that are described primarily in plans and business cases. Plans are documents used to help execute and control work.

Policy Practices

A policy is “a guiding principle, typically established by senior management, which is adopted by an organization or project to influence and determine decisions” [Paultk 1995]. Policies should be brief, high-level descriptions of senior management’s expectations in a specific area. Senior management commissions the development and maintenance of policies, approves them, communicates them to their organization, and most importantly, enforces them.

Policies are generally implemented through one or more procedures. They should be kept consistent with current management expectations and business objectives through periodic review and revision. As the eSCM-CL focuses solely on the sourcing activities of a client organization, these organizations will have policies other than those specified in this Model.

In the eSCM-CL, policy Practices are worded similarly to “Establish and implement a policy on...” For example, gov01 is “Establish and implement the organizational sourcing policy.” While the Practices may refer to a single policy, the organization may choose to implement this Practice through the creation of multiple policies covering different aspects of the Practice.

Procedure Practices

A procedure is “a written description of a course of action to be taken to perform a given task” [IEEE-STD-610 1990]. Procedures are detailed documents that show step-by-step instructions on how to perform a particular activity or set of activities. They typically provide information such as inputs, outputs, diagrams that show steps to be followed, textual descriptions of each diagrammed step, and an indication of roles and responsibilities. Procedures are often supplemented by job aids that are used as quick reference tools by personnel (e.g., checklists and contact lists). They are also often used in conjunction with high-level process documentation; while processes typically describe *what* steps should be performed (e.g., “fill out the risk log”), procedures explain in detail *how* each step is to be performed (e.g., describing how to complete each field on the risk log).

In the eSCM-CL, there are two forms of procedure Practices. The first form of procedure Practices are worded “Establish and implement procedures to...” For example, agr06 is “Establish and implement procedures to create agreements.” The Practices use the plural form “procedures” because the Practice will typically be implemented through multiple documents. However, an organization may

choose to implement the Practice through a single procedure or as procedures incorporated into other types of documents. The procedures must provide sufficient guidance so that personnel have a clear understanding of the steps involved.

The second form of procedure Practices in the eSCM-CL are worded to accomplish some critical sourcing task “according to documented procedures.” For example, spe03 is “Select candidate service providers according to documented selection procedures,” where these selection procedures were established and implemented in pln03, “Service Provider Selection Procedures.” A subset of this second form of procedure Practices are worded “Ensure … according to documented procedures.” In this set of Practices, the Practice must be performed according to documented procedures, however, depending on the division of tasks and responsibilities between the client organizations and its service providers, these Practices may be performed according to the client’s procedures or according to the service provider’s procedures. These Practices must be performed according to the defined procedures, and the responsibility rests with the client organization to ensure that they are successfully implemented.

Guideline Practices

A guideline is “a rule or principle that provides guidance to appropriate behavior” [WordNet]. Guidelines are high-level documents that provide rules of thumb, expert advice, or other kinds of guidance that would be helpful in standardizing the way personnel perform a Practice. Some types of guidelines (e.g., planning or estimating guidelines) may be implemented through a tool or database that captures expert knowledge in a way that can be easily reused by others.

In the eSCM-CL, guideline Practices are worded “Establish guidelines for…” For example, agr01 is “Establish and implement guidelines for negotiations with candidate service providers.” The Practices use the plural form “guidelines” because it is expected that the Practice will typically be implemented through a set of rules or principles that will provide guidance to personnel performing these tasks within the client organization.

Program Practices

A program is “a group of related projects managed in a coordinated way” [PMBOK 2000]. Programs are generally implemented through a series of related projects that are managed to achieve a common objective. They include a program plan that documents the scope, assumptions, dependencies, cost, effort, due dates, tasks, and work assignments for the program. They also include a business case that clearly indicates the objectives and expected benefits of the program. The program plan and business case are used to track progress against program objectives and determine when progress is insufficient.

In the eSCM-CL, program Practices are worded “Establish and implement programs to…” For example, val05 is “Establish and implement programs to encourage and deploy innovations in sourcing relationships and sourced services across the organization.” The Practices use the plural form “programs” because it is expected that the Practice will typically be implemented through multiple programs. However, a client organization may choose to implement the Practice through a single program that impacts multiple sourced services.

Plan Practices

A plan is “a formal, approved document used to guide both execution and control. The primary uses of the plan are to document planning assumptions and decisions, to facilitate communication among stakeholders, and to document approved scope, cost, and schedule baselines” [PMBOK 2000]. Plans should include both descriptive information as well as a schedule of tasks. Descriptive information typically includes objectives, scope, assumptions, dependencies, and other details used to communicate critical pieces of information to stakeholders. The schedule of tasks typically includes estimates of cost and effort for each task as well as due dates and work assignments. The plans are used as the basis for tracking progress and are updated to reflect revised estimates or other changes.

In the eSCM-CL, plan Practices are worded “Plan and track...” For example, tfr01 is “Plan and track the transition of the service.” While the Practice may refer to a single plan, the organization may decide to implement the Practice through the creation of multiple plans that cover different aspects of the topic in question.

It is important to note that in addition to those Practices that are considered Plan Practices, there are also planning and tracking Activities in many other eSCM-CL Practices. While planning and tracking is often important for effectively managing work, Plan Practices cover those plans that are particularly critical to sourcing, including negotiations, transition of the sourced service, human resources, communications, and sourcing management activities for the sourced services.

The eSCM-CL does not intend to duplicate detailed guidance about planning and tracking covered in other quality models and sources. For more information on how to perform effective planning and tracking, please see *A Guide to the Project Management Body of Knowledge* [PMBOK 2000].

Other Practices

Many Practices in the eSCM-CL do not explicitly mention the use of a specific type of document. These Practices relate to tasks that are critical to success, but are not required to be documented in a policy, procedure, guideline, program, or plan. Although a specific type of documentation is not mentioned, every Practice should be supported by documentation that provides guidance on how to perform that Practice. This guidance enables personnel to consistently and repeatedly perform the Practice. The work products and tasks required for these Practices, and how each of those will be documented, are determined by the business judgment of the organization. Based on this business judgment, the organization may determine that the most appropriate guidance for the Practice is documented in a policy, procedure, guideline, program, plan, or other type of document.

For example, ppl03 is “Ensure that a workforce competency focused on sourcing exists within the organization.” For some organizations, this Practice may not lend itself to being documented as a policy, procedure, or guideline. However, it will often be documented as part of a workforce plan and will also have guidance documents that describe the procedures, roles and responsibilities of personnel who manage training, competency development and career development activities for those individuals belonging to this competency [Curtis 2001].

Relationships between Practices

Practices are rarely implemented in isolation, and therefore have relationships with other Practices that need to be considered. The eSCM-CL has two relationships that are explicitly described—Practice-level and Support Practices. There are also implicit relationships that may change based on the organization and implementation approach. These relationships are described below.

Explicit Relationships

Practice-level Relationships

Several Practices in the eSCM-CL have a very close relationship with one or more other Practices. These significant relationships are described in the Practice Descriptions. If the relationships are between Practices of different Capability Levels, the relationship is only described in the higher Capability Level Practice. Otherwise, the relationship is described in both Practices.

A progression relationship is formed when a lower level Practice leads toward a higher level Practice. This progression represents an implementation of the same topic, or an aspect of the same topic, at a higher Capability Level. For example, ppl04, “Define and communicate the roles and responsibilities of sourcing personnel across the organization,” is a Level 3 progression from the Level 2 Practice ppl01, “Assign roles and responsibilities to sourcing personnel based on appropriate personnel competencies.”

A dependency relationship occurs when one Practice depends upon Activities or outputs from another Practice. Many Practices clearly have an explicit relationship where an output in one Practice is useful as an input to another Practice. For example, the service provider selection procedures created in pln03, “Establish and implement procedures to select potential service providers,” are used in each of the Practices in the Service Provider Evaluation Capability Area.

Support Practices

Major Activities *a* and *c* in all Practices cover the tasks that need to be implemented to ensure that the organization can perform a Practice in a repeatable and consistent way—in an institutionalized manner. These tasks are represented by eight Required Activities described in the next Section. All eight of these Required Activities in Major Activities *a* and *c* are required for every Practice in the Model, and are applied regardless of whether a Practice is a policy, procedure, guideline, program, plan, or other Practice. Each of these Required Activities is directly linked to one or more Practices, called Support Practices because they provide support for the institutionalization of every eSCM-CL Practice. Table 2 on page 22 lists these eight Required Activities and their Support Practices.

Implicit Relationships

Many Practices have an implicit relationship where an output in one Practice is useful as an input to another Practice. Because many input/output relationships may vary among client organizations and their implementation approaches, these implicit relationships are not always explicitly described in the eSCM-CL. An organization must use its business judgment to determine which Practices have inputs from other Practices.

For example, the sourcing approach created in app01, “Identify and document the sourcing approach for the proposed sourcing action,” might be a useful input for the identification and specification of the proposed governance model in app03, “Identify and document the governance model for the proposed sourcing action.” However, an organization may decide to implement these two Practices by creating a single document that both meets the intent of a sourcing approach, and provides the selected governance model. In that case, it is confusing to describe these Practices as having an input/output relationship with each other.

Support Practices

Support Practices establish infrastructure and the basis for consistently and effectively implementing all of the Practices in the Model. They are directly linked to one or more Required Activities in Major Activities *a* and *c*, which represent the tasks required to successfully create, maintain, and deploy each Practice so that they become the standard way of doing business within the client organization. This institutionalization of each Practice ensures that it is, and will continue to be, the normal way of performing the client organization’s sourcing activities, even in the face of business pressures and changes.

Major Activities *a* and *c* in all Practices cover the tasks that need to be implemented to ensure that the organization can perform a Practice in a repeatable and consistent way. All eight of the Required Activities in Major Activities *a* and *c* are required for every Practice in the Model, and are applied regardless of whether a Practice is a policy, procedure, guideline, program, plan, or other Practice. Each of these Required Activities is directly linked to one or more Practices, called Support Practices because they provide support for the institutionalization of every eSCM-CL Practice. Table 2 lists these Activities, and their Support Practices.

When implementing any of these Required Activities, one or more of the Support Practices needs to be referenced in order to fully understand and implement the Required Activity. Each of the eight Required Activities in Major Activities *a* and *c*, and its relationship with the Support Practices, is shown in Table 2.

Table 2. eSCM-CL Support Practices

	CAPABILITY LEVEL 2	CAPABILITY LEVEL 3
a. Provide support for creating and maintaining the work products and tasks for x.		
1. Provide sponsorship and resources for creating the work products and tasks.	str01 knw01	str01 knw01 gov04
2. Involve relevant stakeholders in creating, improving, reviewing, and approving the work products and tasks as appropriate.	ocm02 knw01	ocm02 knw01 gov04
3. Maintain and improve the work products and tasks as appropriate.	knw01	knw01 gov04 val04
b. Document and implement the work products and tasks required for x.		
c. Support the implementation of x.		
1. Communicate the availability and location of the work products and tasks to relevant stakeholders.	knw01	knw01 knw02
2. Provide resources to effectively perform the work.	knw01	knw01 knw02 ocm03
3. Assign qualified personnel the responsibility, authority, and accountability to perform the work.	ppl01 ppl02	ppl01 ppl02 ppl04
4. Communicate planned actions and their outcomes to relevant stakeholders.	knw01	knw01 knw02
5. Verify that the work is consistently and effectively performed according to the work products and tasks.	str01	str01 gov04

Each of the eight Required Activities in *a* and *c*, and its relationship with the Support Practices, is described below:

**Activity a1: Provide sponsorship and resources for creating the work products and tasks.
(Supported by str01, gov04, and knw01.)**

Sponsorship can be demonstrated in many ways, but the minimum sponsorship required to fulfill the intent of a Practice is having management support for the sourcing activities, which enables the allocation and provision of resources necessary to perform that Practice. This is addressed in str01, “Sourcing sponsorship.”

Starting at Capability Level 2, personnel need to have supporting resources that help them to effectively perform their work. A key mechanism focuses on providing adequate access to information needed by personnel (covered by knw01, “Provide required information”).

At Capability Level 2, the assets related to the Practice may be specific to a given sourced service; while at Capability Level 3, gov04, “Defined sourcing processes,” addresses creating and deploying process assets at the organizational level. The use of organization-level assets improves organizational efficiency by supporting common processes, training, and measures in the sourcing activities across the client organization.

Activity a2: Involve relevant stakeholders in creating, improving, reviewing, and approving the work products and tasks as appropriate. (Supported by gov04, ocm02, and knw01.)

Stakeholders need to be actively involved in the sourcing actions of the client organization. This begins with the identification, planning for involvement, and involvement of all relevant stakeholders, which is covered in ocm02, “Stakeholder involvement.” Feedback from stakeholders also helps tailor the work products and tasks to the needs of specific client staff or other stakeholders. Management of stakeholder feedback is also covered by ocm02.

Starting at Capability Level 2, stakeholders need to be involved in reviewing the correctness, clarity, and adequacy of the work products used in the performance of work. This involvement, covered by knw01, “Provide required information,” ensures that the information provided to and used by personnel is adequate for them to perform their work. The primary stakeholders to include are those involved in implementing the Practice, as they have direct insight into what needs to be documented and supported for effective, consistent implementation. The stakeholders who receive the resulting work products and services of a process (internal stakeholders, for example) can also provide critical feedback. Other types of stakeholders should participate in reviewing and approving assets as appropriate. Stakeholder input is necessary to create buy-in to facilitate deployment and adoption of work products and tasks by their intended users.

At Capability Level 2, the assets related to the Practice may be specific to a given sourced service; while at Capability Level 3, gov04, “Defined sourcing processes,” addresses creating and deploying process assets at the organizational level. The use of organization-level assets improves organizational efficiency by supporting common processes, training, and measures in the sourcing activities across the client organization. It also supports Practice institutionalization in two ways. The first is by providing common work products and tasks for creating procedures. Common procedures support consistency and predictability, along with other infrastructure such as common measures and training. The second way is that providing the resources to implement gov04 actively demonstrates that management is sponsoring the discipline needed for consistent performance. Slogans and lip service are common but inadequate mechanisms to change behavior; true management sponsorship is necessary for change, and an investment in defining and improving processes demonstrates that sponsorship.

Although commonality is emphasized at Capability Level 3, some degree of tailoring is expected, and allowances should be made for engagements with unique needs. In some cases, use of process assets may be waived to meet specific needs, but the expectation is that organizational assets will be tailored as appropriate and used in engagements.

Activity a3: Maintain and improve the work products and tasks as appropriate. (Supported by gov04, val04, and knw01.)

Consistent performance is a crucial attribute of Capability Level 2. Just as knw01, “Provide required information,” focuses on providing adequate access to information needed by personnel, it also supports consistent performance by making available current versions of required work products and tasks. Work products need to be periodically updated to reflect changes in the way work needs to be done, or to incorporate improvements that have been discovered. Work products should be placed under version control and change control, and

made readily available for those who must use them in performing their sourcing-related assignments.

Starting at Capability Level 3, management of process improvement is more rigorous. Improving a work product implies that, in addition to maintaining the work product, there is measurable improvement in its effectiveness and efficiency. Ongoing improvement is one of the indicators of true institutionalization. Continuous improvement is a fundamental principle underlying the eSCM-CL and building organizational capability. Definition and improvement of process assets across the organization is a cornerstone of Capability Level 3. Ensuring that processes are managed and used across the organization is covered by gov04, “Defined sourcing processes,” and taking action to make improvements, is covered by val04, “Improve sourcing processes.”

Activity c1: Communicate the availability and location of the work products and tasks to relevant stakeholders. (Supported by knw01 and knw02.)

Starting at Capability Level 2, stakeholders need to be informed about work products and activities relevant to the work they perform. This helps to ensure that they have adequate information to perform their work on a repeatable, consistent basis. Identification and provision of required information, including the availability and location of work products, is covered by knw01, “Provide required information.”

Starting at Capability Level 3, management of the information needed by stakeholders is more rigorous. For those involved in performing the sourcing processes, they must have access to the sourcing processes, tailoring guidelines, and related measurement repositories. These process assets are made available to them through the organization’s defined sourcing processes, which are made available through its knowledge system. Formally managing information through a knowledge system helps to further ensure that information is easily and systematically available to those who need it. Management of this knowledge system is covered by knw02, “Knowledge system.”

***Activity c2: Provide resources to effectively perform the work.
(Supported by ocm03, knw01, knw02.)***

Starting at Capability Level 2, personnel need to have supporting resources that help them to effectively perform their work. This includes providing adequate access to information needed by personnel (covered by knw01, “Provide required information”). At Capability Level 3, this is extended to include defining the work environment to provide the resources needed to effectively engage in sourcing activities (covered in ocm03, “Define future state”).

Starting at Capability Level 3, management of the information needed by personnel is more rigorous. Formally managing information through a knowledge system helps to further ensure that information is easily and systematically available to those who need it. Management of this knowledge system is covered by knw02, “Knowledge system.”

Activity c3: Assign qualified personnel the responsibility, authority, and accountability to perform the work. (Supported by ppl01, ppl02, and ppl04.)

Starting at Capability Level 2, personnel need to have both a clear understanding of their roles and responsibilities, as well as the appropriate competency to perform those responsibilities. Responsibility implies the right and trust to make decisions and act; authority

implies the power to command or act; and accountability implies that one is answerable for performance, and therefore, responsible. Responsibility without authority is meaningless. Assigning qualified personnel helps ensure that the Practice can be effectively performed. Assignment of personnel is covered by ppl01, “Assign sourcing responsibilities”; if the assigned personnel are missing some required competencies, ppl02, “Personnel competencies,” covers the provision of training to meet those needs.

Starting at Capability Level 3, management of work assignments is more rigorous. Formally documenting and managing the definitions of roles and responsibilities is covered by ppl04, “Define roles.”

***Activity c4: Communicate planned actions and their outcomes to relevant stakeholders.
(Supported by knw01 and knw02.)***

Starting at Capability Level 2, stakeholders need to be informed about any planned actions and outcomes resulting from the performance of the Practice. This helps to ensure that the stakeholders have adequate information to perform their work on a repeatable, consistent basis. Identification and provision of the required information is covered by knw01, “Provide required information.”

Starting at Capability Level 3, management of the information needed by stakeholders is more rigorous. Formally managing information through a knowledge system helps to further ensure information is easily and systematically available to those who need it. Management of this knowledge system is covered by knw02, “Knowledge system.”

Activity c5: Verify that the work is consistently and effectively performed according to the work products and tasks. (Supported by str01 and gov04.)

Starting at Capability Level 2, work needs to be periodically verified to ensure that it is being done in a manner that follows the policies, procedures, guidelines, work product requirements, and tasks that have been defined. This verification helps to ensure consistency and effectiveness of work, while also providing a mechanism to identify opportunities for improving how the work is being performed. Verification by senior management that work is performed appropriately is covered by str01, “Sourcing Sponsorship.”

Starting at Capability Level 3, verification is broadened to focus on effectiveness of the organization as a whole. At Level 3, consistent performance based on using organizational assets is emphasized in gov04, “Defined sourcing processes.” Verification is typically done by internal audits, although verification mechanisms can be built into the processes used.

Providing Support for Support Practices

The Required Activities in Major Activities *a* and *c* include references to the Support Practices that help provide support for that Activity. For instance, Activity *a1*, which is about providing sponsorship and resources, refers to Support Practice str01, “Sourcing sponsorship.” Support Practices have the same references even when the reference is to itself (e.g., Activity *a1* in str01 refers to str01).

Self-referential Practices can be confusing, yet auditors need to be audited, role assigners need to be assigned to their roles, improvement processes need to be improved, and so on. Such practices are inherently recursive (e.g., who audits the auditors of the internal auditors?). While this is not a rhetorical question, in most cases only one level of iteration is necessary. Given the importance of this issue, the eSCM-CL contains self-references in Activities *a* and *c* for the Support Practices.

While self-referential entities of any kind can be confusing, there are reasonable interpretations for each self-reference in the eSCM-CL. Each of these self-references for the Support Practices is discussed below.

For str01, “Sourcing sponsorship,” the sponsorship referred to in a1 is for establishing and maintaining sponsorship of the organization’s sourcing. The aspects of sponsorship involved in a2 are ensuring that the appropriate sponsors in various parts of the organization are adequately involved in sponsoring and managing the sourcing activities. Verification and monitoring of the organization’s sourcing activities is addressed in c5.

For gov04, “Defined sourcing processes,” the sponsorship and resources referred to in a1 are for establishing and maintaining a set of useful and usable process assets. Effectively doing this may itself require access to some process assets (e.g., process notation tools and Web sites). In a3, the work products used to establish and maintain process assets are themselves process assets that need to be maintained. Activity a2 addresses involvement of stakeholders in defining and verifying sourcing processes. Verification and monitoring adherence to the organization’s sourcing activities is addressed in c5. The verification in c5 is of the verification process. This is sometimes phrased as “Who will watch the watchers?” The internal auditing function itself needs to be independently audited to ensure that corporate governance is adequately implemented and that the verification process is providing value to the organization.

For val04, “Improve sourcing processes,” in a3, the processes used to maintain process assets are themselves considered process assets to be improved.

For ocm02, “Stakeholder involvement,” the relevant stakeholders described in a2 could be, for example, the sourcing or business intelligence groups, who need to be involved in analyzing and using service provider information. In turn, service providers could be relevant stakeholders who should be involved in providing the information about their own (potential) capabilities.

For ppl01, “Assign responsibilities,” when c3 describes assigning qualified personnel, the people doing the assignments should have the responsibility and authority to make the assignments. They also should have the qualifications and training needed to make appropriate assignment decisions.

For ppl02, “Plan and deliver training,” the qualifications described in c3 should address the ability of personnel to analyze training requirements, plan and manage training, develop training materials, deliver training, and effectively track the training provided.

For ppl04, “Define roles,” the people defining a process, and characterizing the qualifications of those who will perform it, need to have the qualifications and training needed to appropriately define the roles as described in c3. For example, anyone defining the role of a service delivery manager in a governance organization may need skills in both building role definitions and understanding the responsibilities of a sourcing professional. The total set of qualifications may be possessed by the team doing the role definitions rather than with a specific individual on the team.

For knw01, “Provide required information,” a1 involves providing resources to make information available, a2 covers involving stakeholders in identifying the information needed to address the quality and comprehensiveness of the information needed by the workers, and a3 focuses on improving the work products and tasks. Issues addressed in c1, c2, and c4 are associated with

communicating and providing information needed by personnel to do the work of identifying, controlling, and providing information. For instance, the knowledge management team needs to be aware of the access restrictions that need to be imposed on information and needs to have adequate security tools for implementing those restrictions.

For knw02, “Knowledge system,” the issues addressed in c1, c2, and c4 are refinements of knw01, associated with communicating and providing information via an organizational knowledge system. Information about the knowledge system should itself be systematically managed.

Implementing the eSCM-CL

The information in this section will help in understanding and implementing the eSCM-CL. Further guidance is provided on documentation requirements and on additional terms that have special meaning in the eSCM-CL.

Additional Documentation Requirements

Every Practice in the Model should be supported by documentation that provides guidance on how to perform that Practice. For policy, procedure, guideline, program, and plan Practices, the eSCM-CL sets a minimum standard for what type of documentation is required. For other Practices, the eSCM-CL allows the client organization to exercise good business judgment to determine the appropriate level and type of documentation needed.

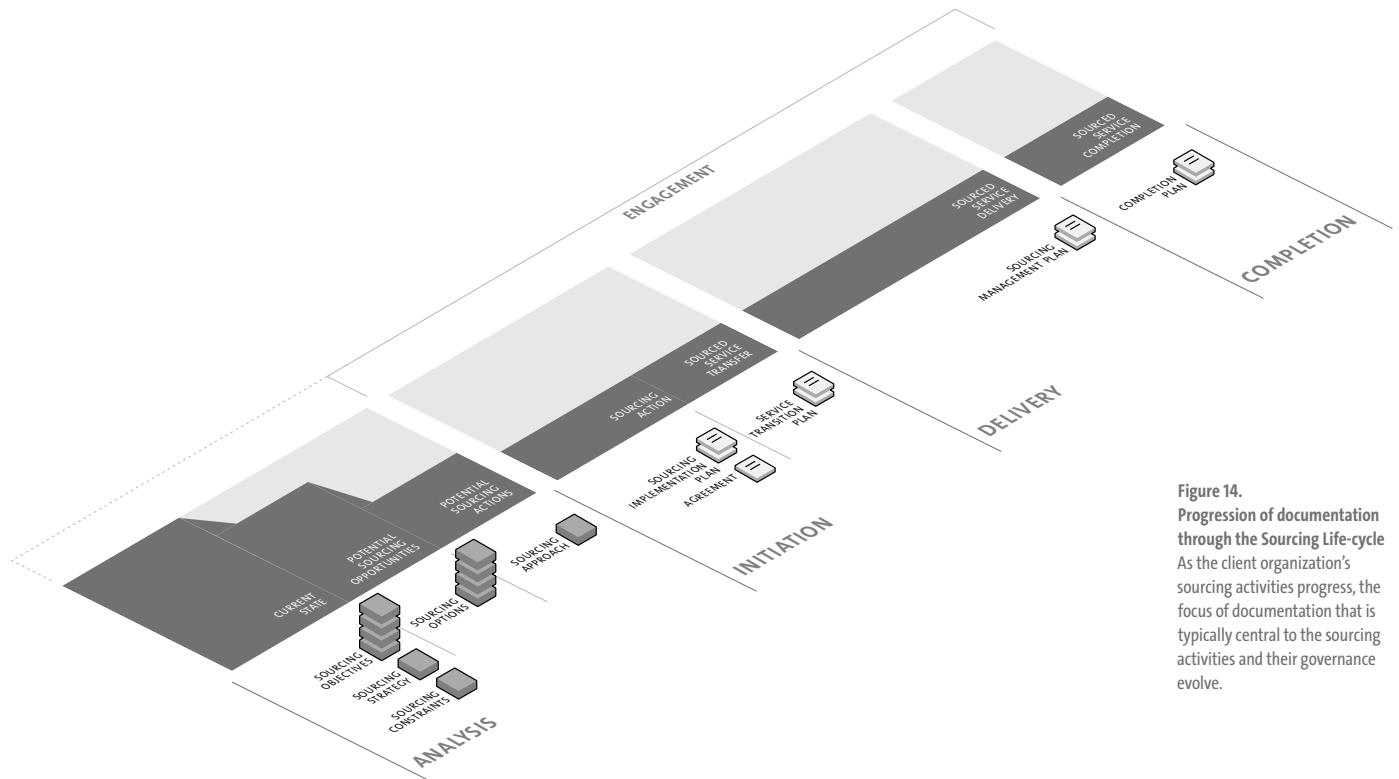


Figure 14.
Progression of documentation through the Sourcing Life-cycle
As the client organization's sourcing activities progress, the focus of documentation that is typically central to the sourcing activities and their governance evolve.

Within a Practice, individual Activities often require additional types of documentation. Many Activities explicitly refer to these requirements by naming the type of documentation expected (e.g., impact and risk analyses). In these cases, the organization must have one or more documents covering that Activity in order to meet the Practice's intent.

Many Activities implicitly refer to documentation: although a common document name is not provided, the wording of the Activity implies that a document must be created. For example, the phrase "Identify and document..." implies that a document will be created, but the nature of that document is left to the business judgment of the client organization. Whenever Activities use the following verbs, there is an implicit requirement for documentation: create, define, develop, document, gather, or plan.

Terms with Special Meaning

There are sets of terms and phrases that have special meaning in the eSCM-CL. Some of these terms and phrases have already been defined in the discussion of the Model structure (e.g., Activities and Capability Areas). Other terms and phrases are commonly used in the Practices (e.g., stakeholders, process assets, and work products). These terms and phrases are presented here to help the reader understand and interpret the Practices.

Agreement versus Contract

An agreement is a formal document that describes client requirements and how the service provider will meet those requirements. Since the eSCM-CL addresses best practices across all types of sourcing relationships, the term agreement is used throughout the eSCM-CL to refer to a formalized document describing an understanding between the client organization and the service provider, usually communicating the service specification of the sourced service, service level agreements, and service conditions describing the performance of the service, and terms and conditions (Ts & Cs) describing the commercial aspects of the relationship.

In some contexts, the use of the word 'agreement' rather than 'contract' is used exclusively for an understanding, normally written, between internal parties, such as an internal customer and an insourcing service provider. A contract is an understanding, usually in documentary form, between two bodies, typically having separate legal existence, e.g. between a client organization and a service provider. A contract is subject to specific legal interpretations.

Business continuity versus Service Continuity

Business continuity management is concerned with managing organizational risks to ensure the organization can continue operating. This operation may be at a diminished level of capacity, but the organization can continue to operate, at least, to a predefined minimum level. Service continuity management is concerned with safeguarding a specific service, and ensuring that it can continue to operate, at least, to a predefined minimum level of service performance. Service continuity management is based on the organization's business continuity and disaster recovery planning.

Competency

Personnel competency refers to the combination of skills, knowledge, and experience that specific personnel in the organization possess. At Capability Level 2, client organizations should be able to identify the gaps between their needed skills and those possessed by the available staff (ppl01, “Assign sourcing responsibilities”), and address those needs by training or hiring (ppl02, “Personnel competencies”). Tracking skills, knowledge, and experience of personnel in a personnel competency inventory helps the organization identify gaps and meet staffing needs.

Workforce competency refers to the sets of personnel competencies that the organization has or needs in order to meet its organizational objectives. At Capability Level 3, the client organization takes a more proactive stance on addressing its current and long-term strategic competency needs by analyzing the sets of personnel competencies that are needed to support its sourcing activities now or in the future (ppl03, “Organizational Sourcing Competency”). These activities may be part of a larger program of workforce planning, competency development and career management for the entire workforce of the client organization [Curtis 2001].

The distinction between personnel and workforce competencies is the distinction between addressing the tactical needs of the sourced services and the strategic needs of the client organization. The strategic business plans of the organization must be considered when determining workforce competency needs.

Deployment

Deployment refers to the extent to which services or assets and related support infrastructure are put in place. This includes putting in place an adequate physical environment, personnel structure, technology infrastructure, and process assets such as policies, procedures, and guidelines. An asset has been fully deployed once it has been used by all appropriate entities within the organization. Considerations in deploying innovative assets include the need for training and support mechanisms such as help desks and user groups (val05, “Innovation”).

Establish and implement

The phrase “establish and implement” is used in a number of Practices in the eSCM-CL. Most notably, it is used in the Practice wording for all policy, guideline, and program Practices, as well as the majority of the procedure Practices. As a whole, the phrase is intended to mean that the Activities for the Practice need to be defined and documented in addition to being deployed and put into effect as defined.

Establish means to “set up or found” [WordNet]. This involves creating appropriate guidance documentation that describes how the organization’s personnel are expected to perform the Activities. Implement means “to put into practical effect; carry out” [American Heritage]. This involves deploying the guidance documentation and then performing work according to that guidance.

For example, gov01 is “Establish and implement the organizational sourcing policy.” Establishing the policy involves creating the policy and any other needed documentation.

Implementing the policy involves deploying that policy documentation and then performing the organization's sourcing activities in line with that documentation.

Infrastructure

The infrastructure of the organization enables it to accomplish its organizational objectives. It represents the basic facilities, services, and connectivity needed for the effective functioning of the client organization. The entire IT infrastructure includes technology, processes, software (including applications software), and communications infrastructure; their geographical dispersion and the management of their configurations; and how they support or implement the organization's needs.

Measurement

There are attributes for the sourced service and the organization that should be measured. Each attribute has associated measures, data, and indicators. For example, in a call center environment, an attribute may be the speed at which incoming calls are answered. Measures are the variables used to measure those attributes (e.g., the number of minutes a call is on hold before being answered). Data are the actual results of the measurement (e.g., 3 minutes on hold). An indicator is used to help evaluate the data and determine whether any actions are necessary.

A call center may have a hold time indicator, or target, of less than 2 minutes. When comparing the indicator (less than 2 minutes) to the actual result (3 minutes), the organization needs to decide whether actions need to be taken to bring the actual results in line with the indicator, and what those actions should be. Possible actions to take in this example are to hire more agents and/or add capacity to the telecommunications equipment.

Organizational change management

The concept of organizational change management refers to managing planned, organization-wide change. Central to organizational change management is the understanding that the organization has defined some future state to be realized, some current state to be left behind, and some structured, planned process for getting from the one to the other.

Typically, organizations undertake organization-wide change to evolve to a different state. Within a sourcing context, these efforts are often critical in moving the organization to a state where it has adapted to the steady state service delivery and has successfully managed the transition to a sourced service. Also, it involves managing and addressing the impacts of that transition on the organization's people, processes, and performance.

Successful change must involve senior management, and ensure that clear communications channels are established with all levels across the organization. Communications about change should be frequent and with all organizational members, rather than just a small set of vested stakeholders. Typically any dramatic change will be met with an emotional response that will be as intense as the situation is threatening, often resulting in strong resistances to the change. The best approach to addressing these resistances is through increased and sustained communications and ongoing education. A plan for managing the change should be developed and communicated, and feedback about the plan solicited and addressed. For example, a change agent, perhaps a senior manager or a sourcing executive,

will meet with all managers and staff to explain reasons for the change, how the change will be carried out, and how to get additional information.

Client organizations may consider implementing several strategies for navigating organizational change. These strategies (and where they are addressed in the eSCM-CL) are:

- organizational structure - ocm03, “Define Future State”
- measurement (to establish baselines before the change and show value) - ocm06, “Organizational Change”
- communications (all relevant stakeholders) - ocm05, “Communicate organizational changes” and str01, “Sourcing sponsorship”
- education & training (workshops, hands-on, pre- & post-testing) - ocm04, “Human Resource Changes”
- relationship management (how will change affect clients, business partners and suppliers) – rel03, “Internal Relationships,” rel02, “Service provider relationships,” and ocm06, “Organizational Change.”
- business & technology integration (change must support business objectives) - tch03, “Technology Integration”, gov05, “Align strategy and architectures” and gov06, “Business process integration”
- performance management (reward the desired behaviors)– ocm04, “Human Resource Changes”
- sponsorship (early, continuous involvement) – ocm01, “Prepare for Organizational Change” and str01, “Sourcing sponsorship”

Problem, Incident, and Issue

A common myth about so-called “steady state” service delivery is that everything is stable and nothing ever goes wrong. Unfortunately, that almost never happens. There are three possible kinds of events that can interfere with that stability.

The first is an Incident, which is an event which is not part of the standard operation of a service and which causes or may cause an interruption of, disruption to, or a reduction in, the quality of services and Customer productivity. One category of incidents is service requests which can include client-driven requests for information or documentation and non-urgent requests (e.g. such as Help Desk queries, requests for password resets, equipment moves, and so forth).

The second are Problems. A Problem is a condition that is characterized by multiple incidents presenting common symptoms, or a single significant incident for which the root cause is unknown. An Incident might give rise to identifying and investigating a Problem, but itself never becomes a Problem. A special type of problem is a known error, which is a problem for which the root cause and a workaround have been determined.

The third are Issues. Issues impact the relationship between the parties (end-user, Customer, client organization sourcing functions, service providers, and the service provider’s suppliers and partners). Relationship management should ideally be proactive and collaborative, with client organizations, service providers and their suppliers and partners working together to resolve issues.

All three kinds of events are normally documented, prioritized, tracked, and resolved. Incident management is typically focused on resolving each specific incident, while problem

management is focused on identifying and removing root causes to prevent future incidents. Incidents and problems can become issues, if left unresolved or having significant impacts on the relationships. Issue management should address both resolving the immediate issue and its underlying causes, but typically will also incorporate escalation procedures to ensure that unresolved issues can be addressed, rather than sitting unresolved or languishing for lack of resources to resolve them. Issues can escalate into disputes between the parties involved.

Process, Process Assets, and Procedures

A Process is a set of actions that is performed to achieve a given purpose, along with the assets that support that performance, such as tools and other resources [Hyder 2004a]. The organization typically will document, for purposes of knowledge management, consistency of implementation, and training and competency development, its standard set of processes as process assets that can be implemented across the organization. Process assets are any guidance documentation (e.g., processes, policies, procedures, guidelines, job aids, templates, checklists), or infrastructure needed to perform the work described in the guidance documentation (e.g., repositories, training, and tools) [Hyder 2004a]. Many times, these guidance documents are Procedures, which are a documented description of a course of action to be taken to perform a given task [IEEE-STD-610 1990].

Requirements

Requirements are needs or expectations that are either explicitly stated, generally implied, or implicit. Explicit requirements are typically provided by the client in the form of a Request for Proposal (RFP). “Generally implied” means that the need or expectation is customary or a common practice for the organization, its client, and other stakeholders. Failure to address generally implied requirements would be considered to be unprofessional and could be considered to be negligence. Implicit requirements address a broader set of needs and expectations than generally implied requirements. Implicit requirements should be identified in requirements elicitation and needs analysis if they are to be binding on the service provider.

Expectations may come from different stakeholders (e.g., the client, end-users of the sourced service, senior management in the organization, and regulatory bodies). Requirements are generated by the client and statutory or regulatory bodies, but the expectations of all stakeholders should be actively managed. Resolving the conflicts between requirements, whether explicit, generally implied, statutory, or regulatory, is necessary to establish clear requirements that can be communicated to potential service providers (pln05, “Prepare Service Requirements”).

Resources

Resources include people, knowledge, assets (including work products and infrastructure), and finances needed to effectively perform the work. Specific types of resources may be called out in some Practices. For example, technology infrastructure is covered in tch03, “Technology integration” and in gov05, “Align strategy and architectures,” while information resources are covered in knw02, “Provide required information.”

A work product is an item, such as a written document, tool, or repository that is associated with the execution of a process. It may be used, produced, or changed by a process. An asset is any “valuable item that is owned” [American Heritage]. In a purist sense, all assets are work products since all assets are associated with—or outputs of—some process. In the eSCM-CL, however, the term “work product” is used only in connection with the processes executed by the client organization. It is not used to describe items provided by the service providers or their suppliers or partners; it is also not used to describe facilities and infrastructure assets, such as desks, buildings, or workstations. The term “asset,” as used in the Model, is a broader term than “work product” and is used to describe items used by the client organization, including those items provided by service providers, suppliers, or partners.

Process assets are a particular type of asset (gov04). They are a collection of entities, maintained by an organization, for use in developing, tailoring, maintaining, and implementing processes. These process assets include sets of standard processes, guidelines for tailoring the standard processes, and the organization’s measurement repository. Some of the process assets will be work products developed within the organization, such as policies and procedures. Some process assets may be externally supplied, such as knowledge management systems. In this example, the knowledge that populates the knowledge management system may be provided by the client organization, but the tools that make it readily available may be externally supplied.

Documents are work products defined by information and its supporting medium. The medium can be paper, electronic media, photographs, etc. Some requirements, such as the requirement to be readable, apply to all types of documents. Some requirements, such as version control and change control, may be specific to particular types of documents (e.g., the service specification). Documents include guidance documents (e.g., policies, procedures, guidelines, templates) and artifacts (e.g., reports, records).

Risk

Risk management is a crucial part of successfully managing a project or organization. The proactive side of risk management deals with identifying risks that could impact the work, and being prepared to prevent risks from occurring, or minimizing their impact, where that is feasible (thr01, “Sourcing Risk Management” and thr02, “Organizational Risk Management”). The reactive side of risk management involves dealing with risks as they become problems (del05, “Correct problems”).

One type of risk is that associated with security, privacy, confidentiality, and protection of intellectual property. Addressing security risks is the proactive side of dealing with these related topics (thr04, “Security & privacy”). If there is a security breach, appropriately addressing the problem is necessary. Addressing violations of privacy, confidentiality, or intellectual property (thr03, “Intellectual property”) may involve legal remedies, and the adequacy of the security mechanisms may be evidence that the service provider was not negligent if an illegal act has occurred.

Disasters are a type of risk that must be considered, although fires, floods, acts of war, terrorism, etc., are outside the control of the service provider (thr07, “Disaster recovery”).

A capable service provider will be prepared to continue to deliver an acceptable level of service in the event of a catastrophic event regardless of its cause (within reason).

Risk exposure is the product of the probability of the risk becoming a problem and its potential impact. The risk exposure helps the organization to identify the risks that should be actively managed, those that should be tracked, and those that can be reasonably ignored.

Stakeholders

Stakeholders are those individuals or groups with an interest in the success of an organization in delivering intended results and maintaining the viability of the organization's products and services. Stakeholders influence programs, products, and services [GAO 1998]. They are also the individuals or groups who are affected by, perceive themselves to be affected by, or are in some way accountable for, the outcome of an undertaking. Stakeholders can include internal stakeholders, as well as external stakeholders. In a sourcing relationship stakeholders may include those personnel directly involved in performing the sourcing activities, their internal clients or business functions, the user community or end-users (i.e., consumers of the sourced service), internal management steering groups or governance working groups, service providers, their suppliers and partners, shareholders, regulatory bodies, standards agencies, other relevant external stakeholders, and employees of all organizations involved in providing a sourced service.

Suppliers and Partners

Suppliers provide products and services to service providers. In some cases these products and services may be viewed as commodities, such as pencils and paperclips, with many potential suppliers. In such cases supplier management is a relatively trivial matter. In other cases, the supplier provides products or services that are critical to the service provider's success in providing services to the client organization.

Partners also provide products and services to service providers, but the interdependencies between partners are based on a relatively equal relationship. Many types of relationships between service providers exist, including co-sourcing, multi-sourcing, alliances, joint ventures, and in-sourcing. In a co-sourcing arrangement, two service providers work together to fulfill an agreement for the client organization. In multi-sourcing, multiple service providers are managed by the client. In alliances, multiple service providers collaborate to serve one or more clients. In joint ventures, the client and one or more service providers go into a joint business venture—a partnership. In insourcing, a group within the service provider is selected to provide services, but is largely treated as a separate entity. For example, a service provider may provide application management services to a client, and delivers these services through an onshore business unit and an insourced, offshore unit.

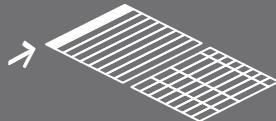
CHAPTER 3

The Practices



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Sourcing Strategy Management



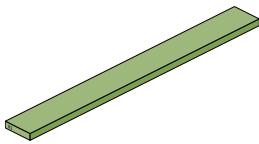
The Sourcing Strategy Management Practices focus on determining the sourcing strategy and setting organizational objectives or goals for sourcing. All Sourcing Strategy Management Practices are Ongoing. These Practices cover the following:

- Sourcing strategy: Determining the sourcing strategy of the organization, not of any particular sourced service. Managing this strategy is iterative and will have inputs from sourcing history of the organization. Will help address issues like what will the organization be sourcing, how to structure the sourcing, and what kind of sourcing strategy to follow in terms of the forms of sourcing relationships that the organization may choose to pursue.

str01

Sourcing Sponsorship

S



Sourcing Strategy Management

Ongoing

Level 2

Other

Establish management sponsorship for sourcing.

Ensuring that the correct level of senior management supports and is committed to the sourcing initiatives is critical for client organizations, as sourcing is often a strategic initiative that crosses functional groups within the client organization. Senior management should possess a vision of the overall associated organizational objectives, understand the change implications associated with sourcing, and support the long-term objectives of the organization's sourcing activities. Senior management demonstrates to the organization's staff and managers its commitment to the sourcing objectives of the organization. Senior management that understands the potential future benefits of sourcing can make business decisions that will aid the organization in achieving its sourcing objectives. The uninformed—or unsupportive—manager could make business decisions that can detract from the sourcing initiative's business alignment.

Sponsorship should be established at the appropriate level to have the necessary scope and strategic perspective for the sourcing activities. The focus of senior management in the eSCM-CL is on that level of individuals whose primary focus is the long-term vitality of the organization, rather than short-term service concerns. Senior management in the context of the eSCM-CL ensures that objectives, resources, and processes and procedures are established for the organization's sourcing activities, and that sourcing objectives, strategies, and activities are integrated and aligned with the objectives and strategies of the organization. For large organizations, senior management is typically formed from “executives” or “C”-level positions, corporate positions, such as Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Information Officer (CIO); or the Board of Directors.

To identify appropriate management individuals and to not limit critical sourcing activities to being performed by just executives, the term ‘senior management’ is commonly used throughout the eSCM-CL to refer to those organizational leaders who may have responsibility for sponsoring, supporting, and providing guidance and review of the client organization’s sourcing activities.

Activities

a. Provide support for creating and maintaining the work products and tasks for establishing management sponsorship for sourcing.

b. Document and implement the work products and tasks required for establishing management sponsorship for sourcing. Documentation and implementation include the following Activities:

1. Senior management reviews and approves sourcing objectives within the organization.
 - a) Senior management approves the sourcing objectives established within the organization.
 - Refer to str04, “Sourcing objectives” for practices regarding defining and aligning sourcing objectives. At Capability Level 3, this approval helps to ensure that sourcing objectives established are aligned with the organization’s sourcing strategy. Refer to str05, “Organizational sourcing strategy.”
 - b) Senior management actively participates in reviewing sourcing objectives.
 - Sourcing objectives may need to be modified based factors such as changes in business or IT strategies, market conditions, organizational constraints, or other external constraints.
 - c) Senior management communicates sourcing objectives, as appropriate.
 - d) Senior management verifies necessary actions are taken, as required, in event of deviation from the sourcing objectives.

2. Senior management monitors the organization's sourcing activities.

→ Sourcing is a critical component of executing corporate, business unit and sourcing strategies. Sourcing is overseen by senior management and is measured based on the business outcomes that sourcing activities contribute to or generate.

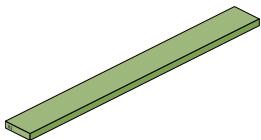
- a) Senior management ensures that the organization's sourcing procedures meet its business goals and strategies.
- b) Senior management participates in making sourcing decisions.
- c) Senior management ensures sourcing decisions are consistent with the defined sourcing objectives.
- d) Senior management participates in reviewing the organization's sourcing activities.

3. Senior management supports the organization's sourcing activities.

- a) Senior management coordinates sourcing activities and issues with higher-level staff and managers.
 - Coordination and securing buy-in from top management is crucial to the success of any sourcing program. The support of top executives, and even the board, if needed, can often ease tensions and send signals to other managers and staff in the client organization regarding the organization's commitment to, and priorities placed on, its sourcing plans.
- b) Senior management coordinates across the organization to ensure the managers' and staff's support and participation in sourcing activities.
- c) Senior management involves relevant stakeholders in sourcing decisions.
 - Multiple stakeholders may need to be appropriately involved in sourcing decisions. Relevant stakeholders may include senior management and IT management, as well as functional management or business leaders in sourcing decisions. They may also include others who may provide inputs to or need to be informed of sourcing decisions. Refer to Practice ocm02, "Stakeholder involvement."
- d) Senior management supports organizational change efforts necessary to support the organization's sourcing activities.
- e) Senior management ensures sourcing issues are resolved appropriately.
 - Issues should be resolved in a timely manner, and appropriate resolutions implemented to ensure successful sourcing relationships.

c. Support the implementation of establishing management sponsorship for sourcing.

str02



Sourcing Strategy
Management

Ongoing

Level 2

Other

Sourcing Constraints

Identify the constraints that impact the client organization's potential uses of sourcing.

Determine the constraints that impact how sourcing is relevant, doable feasible, and/or beneficial from business, customer, financial, technical, operational, regulatory, and legal perspectives. The client organization should understand the strategic, political, and managerial implications of sourcing.

The client organization's culture may not be appropriate supportive of for sourcing activities or there may be stakeholder reasons that limit or prevent the client organization's ability to enact certain sourcing options. Examples of these issues include:

- Some government agencies do not allow their service providers to source to an offshore location.
- Management leadership may not be prepared to manage a sourcing relationship or the organizational changes that may result.
- Regulatory requirements may place limits on the client organization's ability to transfer personnel.
- A client may be too small to effectively manage an external service provider.

This Practice is closely related to ocm01, "Prepare for organizational change" and str03, "Potential sourcing areas."

Activities

a. Provide support for creating and maintaining the work products and tasks for determining the constraints that impact the client organization's potential uses of sourcing.

b. Document and implement the work products and tasks required for determining the constraints that impact the client organization's potential uses of sourcing. Documentation and implementation include the following Activities:

1. Select and document methods for determining the sourcing constraints.
 - Sourcing constraints could be related to business and strategy constraints, customer-related constraints, legal, statutory, and regulatory constraints, organizational constraints—e.g., financial, technical, operational; the organization's ability to use and manage technology; barriers to success in utilizing internal or external resources; and the strategic, political and managerial implications of sourcing actions by the organization.
2. Identify sources and classes of information needed to support determining sourcing constraints.
 - Information related to determining potential sourcing constraints could include market data, organizational policies and directives, organizational resources and capabilities data, or legal, statutory, or regulatory requirements.
 - a) Identify the organization's business objectives.
 - b) Identify relevant aspects of the organization's business process management and IT strategies.
 - c) Identify the organization's performance targets.
 - d) Collect appropriate market analysis and other relevant data.
 - e) Identify information about internal stakeholders, clients and end-users.
 - f) Identify information about employees.
 - g) Identify information about current and prospective service providers.

3. Analyze business and IT strategies and plans to identify constraints that could impact potential uses of sourcing to achieve the business and strategic objectives.

4. Identify potential sourcing constraints.

- Sourcing constraints could be related to organizational policies and directives, business and strategy constraints, customer-related constraints, legal and regulatory constraints, or organizational constraints (e.g., financial, technical, operational, etc.).

5. Analyze identified potential sourcing constraints.

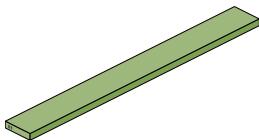
- a) Determine the impact of identified potential sourcing constraints on sourcing and organization.
- b) Identify mechanisms to overcome the identified potential sourcing constraints.
- c) Identify resources and competencies required for overcoming the identified potential sourcing constraints.
- d) Identify resources and competencies available for overcoming the identified potential sourcing constraints.
- e) Analyze the organizational capability to bridge the gap between required and available resources and competencies for overcoming the identified potential sourcing constraints.

6. Document the approved set of sourcing constraints and their rationale, based on the analysis.

- a) Obtain review and approval of selected sourcing constraints from relevant internal stakeholders.
- b) Communicate identified sourcing constraints to relevant internal stakeholders.
- c) Periodically review and update documented sourcing constraints.

c. Support the implementation of determining the constraints that impact the client organization's potential uses of sourcing.

str03



Sourcing Strategy Management

Ongoing

Level 2

Other

Potential Sourcing Areas

Decide to what extent sourcing may be relevant to the client organization.

Determine where sourcing may be relevant to the client organization by examining the organization's business strategies and plans, and determining which business processes, skills or competencies are better handled by others, leaving the client to concentrate on its own core competencies or strategic foci. Focusing on core competencies, key processes, or strategic areas encourages client organizations to identify and take advantage of what they do best and enables resources to be focused on areas of value and growth. Non-core competence activities might be retained if external third parties, for client, political, economic or technological reasons, cannot provide them.

Clients may also identify other business areas where sourcing may be appropriate, such as enabling access to new technologies or transforming cumbersome processes with more streamlined, efficient ones. In these cases, clients should determine where it may choose to explore sourcing, rather than some other solution (e.g., the application of a new technology or making use of consultancies to assist with a new technology).

In general, clients should understand the business benefits of various sourcing relationships and opportunities, how those reasons fit into their overall business objectives, and any constraints that might affect the potential sourcing scope.

This Practice is closely related to str02, "Sourcing constraints."

Activities

a. Provide support for creating and maintaining the work products and tasks for determining to what extent sourcing may be relevant to the client organization.

b. Document and implement the work products and tasks required for determining to what extent sourcing may be relevant to the client organization. Documentation and implementation include the following Activities:

1. Identify decision factors for determining the relevance of sourcing.

- The organization should conduct an internal evaluation to determine to what extent sourcing is desirable from business, financial, technical, operational, regulatory and legal perspectives.

2. Define criteria for determining relevance of sourcing.

a) Identify criteria for determining if the service or process is core competence of the organization or of strategic importance to the organization.

→ Criteria may be based on factors such as:

- process criticality,
- process dependence,
- customer impact,
- employee impact,
- location or community impact,
- core capabilities or attributes,
- process abilities or maturity, or
- functional skills.

-
- b) Identify criteria for determining if sourcing results in achievement of business and strategic objectives.
 - The client organization should understand the strategic implications of sourcing, including understanding how sourcing can fit within the firm's strategies and how its implementation will affect those strategies. Fundamental questions like "vision for its future", current and future core competencies, current and future costs need to be considered.
 - c) Identify criteria for determining the amount of risk the organization will tolerate related to sourcing the service or process.
 - The amount of risk the organization will tolerate can be thought of in terms of the organization's risk tolerance or risk appetite. Risk tolerance is the acceptable levels of variation relative to the achievement of planned objectives, while risk appetite addresses the amount of risk an organization is willing to accept in meeting its objectives.
 - d) Compare in-house capabilities with service provider capabilities for providing the service.
 - e) Identify anticipated business benefits from sourcing.

3. Decide where sourcing is relevant to the organization, based on identified criteria.

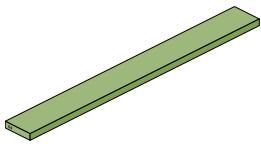
- In determining the extent of relevance of sourcing to the organization, the client organization should examine sourcing from a strategic and competitive business perspective. Several factors determine the likely business preference of how, if at all, the market should be used; the contribution of the IT service or business activity to business positioning, and its impact on business strategies and performance.
- a) Identify core competencies, key processes, and strategic areas of the organization.
- b) Analyze business and IT strategies and plans to identify potential sourcing areas.
- c) Analyze market trends, including competition and the service provider market.
 - Refer to knw03, "Market information."
- d) Consider sourcing constraints.
 - Refer to str02, "Sourcing constraints."
- e) Identify the extent of relevance of sourcing to the organization by assessing relevance considering the organization's business and IT strategies, benefits, costs, and risks of sourcing.
 - The degree to which the benefits of sourcing may be realized and the risks avoided or mitigated depends on many factors, including the status of IT services or internal business functions prior to sourcing and the quality of the implementation, starting with a realistic understanding of the organization's objectives.
 - Refer to thr02, "Organizational risk management" regarding the organization's approaches to managing sourcing-related risks.

4. Document the analysis and findings on extent of relevance of sourcing to the organization.

- a) Obtain review and approval of the analysis and findings on extent of relevance of sourcing to the organization from relevant internal stakeholders.
- b) Communicate analysis and findings on extent of relevance of sourcing to the organization to relevant internal stakeholders.
- c) Periodically review and update analysis and findings on extent of relevance of sourcing to the organization.

c. Support the implementation of determining to what extent sourcing may be relevant to the client organization.

str04



Sourcing Strategy Management

Ongoing

Level 2

Other

Sourcing Objectives

Define, align, and document sourcing objectives.

Establishing clear sourcing objectives ensures that the sourcing activities are aligned with business objectives and provide a means of determining sourcing performance. The sourcing objectives set will reflect the underlying motives for the organization considering sourcing as an appropriate business strategy. For example, in many cases, organizations source with the objective of obtaining higher quality service at a lower cost from service providers. In this case, the key objectives will provide direction for managing the service provider evaluation. This will involve the organization ensuring that it is selecting the most capable service provider in terms of cost and quality. The organization may establish objectives regarding service provider performance; in some cases, these objectives may be to ensure that the chosen service provider maintains and improves its performance throughout the life of the relationship; while, in other cases, the objectives may be to maintain existing service levels while driving down costs.

It is important that the client organization have a clear understanding of its sourcing objectives in order to establish the organization's long-term direction and enable the effective formation, management, and expansion of successful sourcing relationships. Clearly defined and measurable sourcing objectives establish the sourcing principles for the organization and enable management to set and attain performance expectations for the organization. These objectives are usually long term and are derived by analyzing the organization's environment (including client expectations, competitors, and business trends). To be effective, sourcing objectives must be measurable, address the needs of stakeholders, and establish both desired and expected performance targets.

The sourcing objectives should be clearly established and supported, aligned with IT and business objectives, and support achieving these business objectives. The sourcing objectives can also be used as to guide for development of relationships and agreements with service providers. By aligning these with the strategic objectives, clients can ensure that the service provider has the capabilities required to meet the strategic objectives for sourcing and that agreements are flexible enough to adjust to changes in business, or technology, or changes, as well as meet the organization's objectives.

This Practice is closely related to str05, "Organizational sourcing strategy."

Activities

- a. **Provide support for creating and maintaining the work products and tasks for developing, aligning, and documenting sourcing objectives.**
- b. **Document and implement the work products and tasks required for developing, aligning, and documenting sourcing objectives. Documentation and implementation include the following Activities:**
 1. Review relevant data and analysis to develop sourcing objectives.
 - a) Review business and IT strategies and plans.
 - b) Identify relevant sourcing constraints.
 - Refer to str02, "Sourcing constraints."
 - c) Determine how the extent of relevance of sourcing impacts sourcing objectives.
 - Refer to str03, "Potential Sourcing Areas."

-
- d) Analyze market information and trends, including competition and the service provider market.
 - Market information may address trends, competitors, service providers, current market conditions, or market trends. At Capability Level 3, refer to knw03, "Market information."
 - e) Review other relevant analyses or policies.
 - Analyses can include strategic analysis, cost-benefit analysis, historical performance data, competitor analysis, and trend analysis. Policies can include organizational policies regarding business strategy, procurement, and sourcing. At Capability Level 3, refer to gov01, "Sourcing policy," for the development of the organization's sourcing policy.

2. Identify sourcing objectives, outcomes and potential risks related to sourcing.

- a) Involve relevant stakeholders in identifying sourcing objectives.
 - Refer to ocm02, "Stakeholder involvement," regarding identifying and involving relevant stakeholders.
- b) Identify potential sourcing objectives.
 - Sourcing objectives are derived from the business and strategic objectives, and take into consideration the market information available, the organizational policies and directives, identified sourcing constraints and relevance of sourcing to the organization.
- c) Define the organization's performance targets relative to each identified sourcing objective.
- d) Identify potential known risks relative to each identified sourcing objective.
 - Potential known risks can be derived from sources including sourcing constraints, organizational capabilities and resources, and market information.

3. Verify that sourcing objectives are aligned with business objectives.

- Sourcing objectives should be defined to support, and be consistent with, the overall business objectives, and sourcing vision and direction.

4. Determine measures to track organizational performance against the sourcing objectives.

- a) Determine the attributes to measure to determine if sourcing objectives are being met.
- b) Determine the performance measures for the attributes.
 - The measurement method should define the frequency and granularity of data collection. It should ensure that the data collected are reliable, accurate, and valid.
- c) Involve relevant stakeholders in establishing performance measures.
- d) Determine the analyses and indicators to be used to understand and make decisions about sourcing performance.
 - Indicators provide an evaluation of data in relation to criteria that support decision making. The evaluation may be with respect to requirements, ranges of acceptable performance, stretch goals, expected performance based on historical data, or similar standards.

5. Document the sourcing objectives.

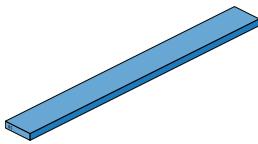
- a) Obtain review and approval of sourcing objectives from relevant internal stakeholders.
- b) Obtain senior management review and approval of the sourcing objectives.
- c) Communicate sourcing objectives to relevant stakeholders.
- d) Periodically review and update sourcing objectives.
 - Sourcing objectives may need to be modified based on changes in business or IT strategies, organizational policies and directives, sourcing performance reviews, business requirements, or legal, statutory, or regulatory requirements.

Sourcing Objectives cont'd

6. Plan and track achievement of the sourcing objectives.
 - a) Sourcing objectives are addressed at appropriate levels in the organization.
 - Sourcing objectives are addressed at appropriate levels in the organization by defining relevant functional, departmental, service, process, team, and individual objectives. Sourcing objectives may also include time frames for achieving the objectives.
 - b) Track status and progress against sourcing objectives.
 - Tracking sourcing activities against their sourcing objectives may happen as part of ongoing reviews of sourcing activities in pln01, "Establish sourcing project," and mgt01, "Perform sourcing management." At Capability Level 3, organizational sourcing performance reviews are the primary mechanism for tracking status and progress across the organization. Tracking organizational performance against organizational objectives occurs in val01, "Organizational sourcing performance," which focuses on the control of organizational performance. Improvement objectives are addressed in val04, "Improve sourcing process."
 - c) Determine actions to take when progress deviates from the plan.
 - d) Take actions and track them to closure.

c. Support the implementation of developing, aligning, and documenting sourcing objectives.

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str05

Sourcing Strategy Management

Ongoing

Level 3

Other

Organizational Sourcing Strategy

Define, communicate, and maintain the sourcing strategy of the client organization.

Many organizations have not created sourcing strategies that link to their business strategies and plans, treating each sourcing action as a separate transaction; however, the organization's sourcing strategy is crucial to guide sourcing actions and ensure that they align with the organization's business and IT strategies. The sourcing strategy should clearly address the client organization's sourcing objectives; be in alignment with the organization's business, growth, and continuity strategies; have executive sponsorship; be defined, documented and followed; and be regularly updated as conditions change. At Capability Level 3, the sourcing objectives lay the groundwork for a successful sourcing strategy and ensure that the strategy is aligned with business objectives. The sourcing objectives set will reflect the underlying motives for the organization considering sourcing as an appropriate business strategy.

The organization's sourcing strategy should guide its analysis activities. It should ensure that the organization analyzes which capabilities (strategic, core/non-core, key processes) should be retained in the organization, and that the organization gives adequate consideration to the full economic impact of its potential sourcing actions. A sourcing strategy should determine what roles service providers will play in resolving the current problems, building an infrastructure, deploying services that best satisfy the company's current business needs and meet its future corporate objectives.

This Practice is closely related to str04, "Sourcing objectives."

Activities

a. Provide support for creating and maintaining the work products and tasks for developing and managing the sourcing strategy of the client organization.

b. Document and implement the work products and tasks required for developing and managing the sourcing strategy of the client organization. Documentation and implementation include the following Activities:

1. Involve relevant stakeholders in the development of the sourcing strategy.

→ Refer to ocm02, "Stakeholder involvement," regarding identifying and involving relevant stakeholders.

2. Analyze organizational strategies, plans, and constraints to support development of the sourcing strategy.

a) Review business and IT strategies and plans.

b) Identify relevant sourcing constraints that impact the sourcing strategy.

→ Refer to str02, "Sourcing constraints."

c) Determine how the extent of relevance of sourcing will impact the sourcing strategy.

→ Refer to str03, "Potential sourcing areas."

d) Review defined sourcing objectives.

→ Refer to str04, "Sourcing objectives."

e) Review other relevant analyses or policies.

→ Analyses can include strategic analysis, cost-benefit analysis, historical performance data, competitor analysis, and trend analysis. Policies can include organizational policies regarding business strategy, procurement, and sourcing. At Capability Level 3, refer to gov01, "Sourcing policy," for the development of the organization's sourcing policy.

3. Analyze market information and trends.

- Refer to knw03, "Market information." Market information may address trends, competitors, service providers, current market conditions, or market trends.

4. Assess organizational capabilities for sourcing.

- Capabilities are in terms of expertise and resources to manage sourcing including personnel competencies, processes, service readiness for sourcing, technology, financial resources, and any other relevant factors. The assessment of current organizational capabilities to support sourcing should address:

- Existing capabilities and resources,
- Expected capabilities and resources,
- Organizational culture, and
- Capability to implement and manage organizational changes required for sourcing.

a) Analyze current organizational capabilities to support sourcing.

- Refer to ocm01, "Prepare for organizational change."

b) Identify gaps in capabilities and resources needed to achieve the desired outcomes and meet identified sourcing objectives.

- Sourcing strategy should take into considerations the gaps between the desired outcome and the existing capabilities to achieve those outcomes. The strategy should address mechanisms and resources required for bridging the gaps.

5. Create the sourcing strategy, aligned with business and IT strategies and sourcing objectives, and based on market analysis and assessment of organizational capabilities.

a) Define the types of sourcing relationships that are consistent with the sourcing objectives and constraints.

- Identify the types of sourcing relationship that best support the sourcing needs. The organization's strategic preferences are determined in terms of criteria to use in identifying candidate service providers, use of in-house bids, multiple vs. limited number of service providers, staff transfer approaches, asset ownerships, intellectual property, and risk-reward program.

b) Define the organizational staffing strategy for sourcing which is consistent with the sourcing objectives and constraints and organizational policies.

- An example of a staffing strategy may be to use internal staff for core projects; outsource for non-core projects; use solution providers for commoditized services; and individual contractors for critical skills needs and training internal staff.

c) Define the organizational strategy regarding the use of external advisors and consultants on technical, legal, financial, or other issues.

d) Define the organizational strategy for the structure of the sourcing functions.

e) Define the organizational strategy about managing organizational change and having a capability to manage this change.

f) Document and maintain the quality strategy and objectives which are consistent with the sourcing strategy and organizational policies.

g) Document and maintain a risk management strategy and objectives which are consistent with the sourcing strategy and organizational policies.

h) Define the organizational strategy and objectives for ensuring consistency between sourcing and the organization's business processes and technologies.

Organizational Sourcing Strategy cont'd

- i) Review and verify sourcing strategy against business and IT strategies, sourcing objectives, and sourcing constraints.

→ Corporate, business unit and sourcing strategies should be tightly aligned. Sourcing objectives should be clearly demonstrated in the sourcing strategy.

6. Document the sourcing strategy.

→ The sourcing strategy should address the sourcing objectives of the organization; however, it can be implemented as one strategy document or as multiple strategies, stratified by business areas or types of services.

- a) Obtain review and approval of sourcing strategy from relevant internal stakeholders.

- b) Obtain review and approval of the sourcing strategy from senior management.

7. Communicate sourcing strategy to relevant stakeholders.

8. Periodically review and update the sourcing strategy.

→ Sourcing strategy may need to be modified based on changes in business or IT strategies, organizational policies and directives, sourcing performance reviews, business requirements, or legal, statutory, or regulatory requirements. For example, changes may be made in response to business value and impact analyses (val06) or analyses of business changes (gov07).

9. Senior management supports implementation of the sourcing strategy.

→ Organizational leadership should clearly communicate the organization's sourcing strategy, so that employees understand the strategies to achieve it and how their functions and activities fit into it. Clear communication can serve to suppress rumors that can run rampant. Refer to ocm05, "Communicate organizational changes."

- a) Senior management communicates support for the sourcing strategy and the timetable for its implementation.

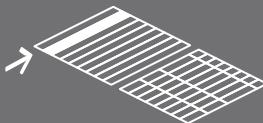
- b) Senior management communicates how sourcing fits into the organization's vision and strategies.

- c) Senior management actively participates in periodic reviews of the sourcing strategy and the organization's implementation of this strategy.

c. Support the implementation of developing and managing the sourcing strategy of the client organization.

gov

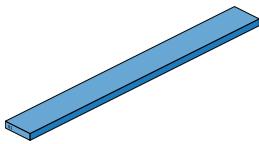
Governance Management



The Governance Management Practices focus on establishing organizational structure for sourcing and organizational process management for sourcing processes and procedures. All Governance Management Practices are Ongoing. These Practices cover the following:

- Organizational sourcing policy: Deals with establishing a capability to guide and coordinate the organization's sourcing process.
- Sourcing process assets: Establish and improve procedures and processes for sourcing, and effectively managing the use of process assets for sourcing across the organization, ensuring consistency as appropriate. Reuse process assets to improve the effectiveness of personnel and to take advantage of expert practices.
- Aligning strategies and architectures: Addresses issues related to the alignment of sourcing activities with both business and technology strategies, control of technology architecture and design, and future technology direction for the client organization.

gov01



Governance Management
Ongoing
Level 3
Policy

Sourcing Policy

Establish and implement the organizational sourcing policy.

A policy on sourcing governance provides the organizational structures, processes and mechanisms needed to manage, assess, and improve the client organization's sourcing initiatives and support the sourcing strategy. By putting in place the organizational capabilities required to build, maintain and govern strong relationships, clients are better able to uncover new opportunities to create value from their sourcing relationships, and are able to develop value from such opportunities more effectively and efficiently. A governance policy should enable effective execution of the key client sourcing activities. By implementing the client organization's sourcing policy, client organizations can ensure consistent, reliable governance activities in their dealings with internal clients and service providers and can transform governing their relationships into an organizational discipline and business structures that support their evolving relationships with service providers. Such a policy demonstrates leadership and organizational commitment and is a key factor for sourcing success.

Activities

- a. Provide support for creating and maintaining the organizational sourcing policy.**
- b. Document and implement the organizational sourcing policy. Documentation and implementation include the following Activities:**
 1. Document the organization's sourcing policy.
 - a) Identify the purpose of sourcing, consistent with the organization's sourcing strategy, objectives, and constraints.
 - b) Identify types of sourcing, relationships and potential service providers appropriate for the organization.
 - Types of sourcing include insource, outsource, offshore, etc. Types of relationships include traditional outsourcing, joint ventures, strategic partnerships, single source, multi-source etc. For example, the organization should identify the service providers for whom it is crucial to manage the relationship. Not all relationships need to be formally managed; the organization should identify those service providers who are critical to the operation of the organization and the delivery of service. Refer to str05, "Organizational sourcing strategy," as a component of the organization's sourcing strategy contains provides organizational guidance about the types of relationships that the organization prefers to implement with its service providers.
 - c) Document how sourcing opportunities will be identified, evaluated and operationalized in the organization.
 - d) Ensure that the organizational sourcing policy is consistent with existing organizational policies.
 - Relevant organizational policies may include employee participation, financial management, human resources, innovation, intellectual property, knowledge management, and risk management.
 - e) Communicate the organization's sourcing policy to stakeholders.
- 2. Create systems, mechanisms and processes for guiding and managing sourcing in the organization.
 - Refer to gov04, "Defined sourcing processes," for the establishment of a set of documented sourcing processes to be used across the organization.

3. Define and implement the organization's sourcing functions.

→ Establish the organization's approach to governing its sourcing activities. The organization needs to establish a management structure to oversee the planning and implementation of its sourcing activities to ensure that they meet business needs. The sourcing function, which could be implemented in organizational structures ranging from a centralized, organization-wide project office to a responsible individual, depending on organizational needs, has multiple roles: maintain and implement the organization's sourcing strategy, processes and procedures, analyze and recommend the best sources as candidate service providers; coordinate multiple sources where the organization's requirements depend on contributions from many service providers; evaluate current and planned sources to ensure that their use will continue to achieve the organization's sourcing objectives.

a) Define key roles for the organization's sourcing functions.

→ Key roles may include managing service provider relationships, ensuring monitoring of service provider agreements, performing coordination, and providing user-service provider liaison capabilities.

b) Define appropriate management controls for the organization's sourcing activities.

→ Appropriate management controls include defining out clear, specific, measurable and achievable sourcing objectives, motivating and monitoring the sourcing functions, and ensuring that these objectives are met.

c) Establish senior management guidance and review for the organization's sourcing functions.

→ This guidance and review could be established through an executive steering committee at the strategic level, designated members of executive leadership, or an appropriate senior manager responsible for sourcing (e.g., a Chief Resource Officer or Chief Sourcing Officer).

The organization's senior management could appoint a planning or steering committee to oversee the sourcing function and its activities. Committee membership could include representatives from senior management, user management, and the IT function. The committee should meet regularly and report to senior management.

d) Define mechanisms for reviewing the organizational structure for sourcing to continuously meet objectives and changing circumstances.

→ Refer to Practice gov07, "Adapt to business change."

4. Create and implement guidelines for implementing Service Level Management approaches.

a) Create the strategy for service level management.

b) Define a process for establishing and collecting service levels.

→ This process could be accomplished by performing the following steps:

- Look at existing service levels
- Identify required metrics
- Identify existing data
- Document existing service level agreement metrics catalog

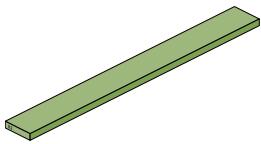
c) Ensure that any new service levels needed in a sourcing activity are defined consistent with the strategy for service level management.

d) Implement service level measures for organizational-level reporting.

→ An example of a robust measure could be a Balanced Scorecard (BSC) for sourcing activities. A weighting scheme could be applied in this Balanced Scorecard. For example, metric performance, customer satisfaction surveys, and financial performance could account for 80% of the BSC, while innovation, process improvement, and organizational learning could account for the remaining 20%. • The measures that are applied should cross all dimensions of the business to measure the sourcing activities and their impact to the organization.

c. Support the implementation of the organization's sourcing policy.

gov02

**Governance Management**

Ongoing

Level 2

Procedure

Service Provider Management

Establish and implement procedures to manage service providers.

Manage service providers in order to support the client organization's sourcing objectives. Having effective relationships with service providers helps the sourcing organization expand its capabilities and respond to internal clients' changing requirements and demands.

Effective management includes tracking the performance of service providers. Tracking the performance of service providers may be a stand-alone task but it is more likely to be a part of service delivery tracking.

Relationship management should ideally be proactive and collaborative, with customers and their service providers working together to resolve issues. In rel01, "Service provider interactions," the organization is proactively managing the relationship with its service providers.

Activities

a. Provide support for creating and maintaining the procedures for managing service providers.

b. Document and implement the procedures required for managing service providers.

Documentation and implementation include the following Activities:

1. Provide service providers access to the resources they need in order to understand and analyze their ability to meet the client requirements and expectations.

2. Identify points of contact with the service providers and alternative backup contacts.

→ There may be differences in roles and responsibilities for each point of contact.

3. Document interactions with service providers.

4. Identify and document the steps to identify, analyze, and address clarifications required by service providers.

5. Provide training to service providers.

a) Identify the type, content, and format of training to be delivered to service providers.

→ Training is based on commitments made to the client. Training may be classroom-based; self taught with supporting course materials, including electronic materials; or web-based.

b) Communicate the availability and conditions of training to service providers.

c) Coordinate with service providers regarding the identified training.

d) Provide training to service providers.

6. Determine the attributes of service provider relationships and performance to be tracked.

→ Attribute selection for service provider relationships and performance may occur as a stand-alone planning task, but is more likely to be part of planning for sourced service management.

7. Define and document the methods used for tracking the defined attributes.

→ The nature and level of tracking depends on the kind of service or product, as well as the prior experience with the service provider. The tracking may be in the form of a status or coordination review, a technical review, or some other type of formal review.

8. Track service provider tasks, according to the defined tracking methods.

a) Determine actions to take when performance deviates from expectations.

→ The actions taken may include awarding additional agreements with additional service providers, reducing the amount of work performed by the service provider, increasing or decreasing the frequency of tracking, or providing additional training to service provider personnel.

b) Take actions and track them to closure.

9. Create issue and dispute handling and escalation methods for service providers.

→ Refer to rel04, "Issue management."

10. Track service provider issues and disputes and escalations.

a) Determine actions to take when service provider issues or disputes arise or when problems need to be escalated.

b) Take actions and track them to closure.

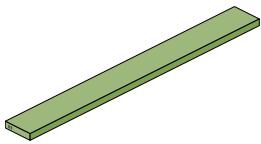
11. Maintain records of service provider performance.

→ These records may include records on relationship with the service provider. Records may be used to determine type of future relationship with the service provider, including expanding or curtailing the relationship. Refer to mgt08, "Review service performance," regarding the maintenance of service provider performance data and resulting analyses.

12. Periodically review the status of the relationship and performance with each service provider, and take action as appropriate.

c. Support the implementation of managing service providers.

gov03



Governance Management

Ongoing

Level 2

Procedure

Internal Stakeholder Management

Establish and implement procedures to manage internal stakeholders.

Establish and implement procedures to manage internal stakeholders in order to support the client organization's sourcing objectives. Having procedures to manage the relationships with internal stakeholders helps the sourcing organization ensure that sourced services meet internal needs and respond to internal clients' changing demands.

Activities

- a. Provide support for creating and maintaining the procedures for managing internal stakeholders.**
- b. Document and implement the procedures required for managing internal stakeholders.**
Documentation and implementation include the following Activities:
 1. Establish and implement the team for interacting with internal stakeholders.
 - a) Define objectives for the team interacting with internal stakeholders.
 - b) Identify the roles and responsibilities needed to meet the identified objectives.
 - c) Identify the personnel competencies required for the team interacting with internal stakeholders.
 - Personnel competencies for the client interaction team will depend on the phase of the sourcing process, the internal stakeholders, and the services being sourced. Personnel competencies to consider for choosing team members include service expertise, communication skills, listening skills, comprehension skills, relationship-management skills, and crisis-handling skills. Identified personnel competencies should be aligned with the defined objectives.
 - d) Periodically review the competencies required for the team interacting with internal stakeholders, and change team composition depending on changes in required competencies.
 - Changes in required competencies may occur due to changes in the phase of the sourcing relationship. For instance, during Initiation, when the organization has not had any previous interaction with a prospective client, the client interaction team will have more of an emphasis on sales and marketing. As the relationship progresses toward an agreement the team composition should change to include personnel with negotiation and technical skills.
- 2. Identify the internal stakeholders involved in sourcing activities.
 - Refer to ocm02, "Stakeholder involvement," regarding the identification of relevant stakeholders.
 - a) Identify key decision makers among internal stakeholders.
 - The purpose is to identify who has decision rights within the stakeholder groups, and who must be involved in governance activities. It is critical to complete a stakeholder analysis to identify those stakeholders who have the most ability to influence the outcomes of the sourcing objectives. Stakeholder analysis is addressed in ocm02, "Stakeholder involvement."
 - b) Identify points of contact with the internal stakeholders and alternative backup contacts.
 - There may be differences in roles and responsibilities for each point of contact.

3. Define mechanisms for coordinating with internal stakeholders.

- Management should undertake the necessary actions to establish and maintain an optimal coordination, communication and liaison structure between the sourcing function and various other interests inside the client organization, especially those stakeholders involved in or impacted by the sourced service.
- Mechanisms should provide regular channels of communication to the internal stakeholders. These can include groups such as Executive Steering Committees, working groups, dispute resolution teams, business continuity and crisis management teams, or communications mechanisms like boards, newsletters, and status meetings.

4. Define issue handling and escalation methods for internal stakeholders.

- Internal stakeholder issue handling and escalation is typically handled through a different process than issues or disputes with service providers. However, the process needs to be defined for identifying, managing, and tracking disputes. Refer to rel04, "Issue management," for handling issues that involve both the client organization and the service providers.
 - a) Define and document methods to prioritize internal stakeholder issues or other problems.
 - b) Identify types of potential issues, problems, or incidents to be escalated.
 - c) Define decision-making and prioritization processes.
 - d) Determine notification rules for each priority.
 - Rules include deciding who is notified at each stage, under what conditions the rules change, and the systems necessary to support the notification rules.
 - e) Identify approaches for issue resolution based on the type of issue.
 - Approach includes topics such as the personnel to be involved, mechanisms for resolution, and escalation authorities within the client organization.
 - f) Determine how issues and their status will be reported and communicated.

5. Create plans for managing interactions with internal stakeholders.

- Plans include a schedule for key interactions, an assignment of responsibilities for managing interactions, and an approach to collecting and managing information.
 - a) Identify the types of interactions to be managed and determine the types of interactions that require formal documentation.
 - Typically, a large number of personnel will have the potential of interacting with the client from time to time, not just members of the client interaction team. When identifying the types of client interactions to be managed, it is important to consider which interactions will be the sole responsibility of the client interaction team and how other types of interactions will be managed. For instance, if a staff member has an informal encounter with a client and learns about client dissatisfaction, that information should be collected and reported to the client interaction team.
 - b) Identify the information to be documented for each type of interaction.
 - c) Select tools and methods for documenting interactions.
 - Types of information associated with client interactions can include originator, respondent, date, time, and the nature and status of the interaction. Tools used to document client interactions include questionnaires, templates, spreadsheets, e-mail, and specialized software.

6. Analyze documented information to better understand internal stakeholder requirements and expectations.

Internal Stakeholder Management cont'd

7. Document internal stakeholder interactions and approvals.
 - a) Review and jointly approve sourcing objectives and measures with relevant internal stakeholders.

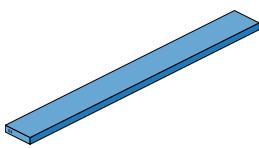
→ Ensuring inclusion of relevant parties, defining clear responsibilities, and practical involvement in setting objectives and measures are mechanisms for ensuring horizontal alignment.
 - b) Document the identified information during interactions with internal stakeholders, using selected tools and methods.
 - c) Obtain internal stakeholder approval, as appropriate, on documented information.
 - d) Determine and document the steps to identify, analyze, and address clarifications required by internal stakeholders.
 8. Track internal stakeholder issues, escalations, and resolutions.
 - a) Determine actions to take when internal stakeholder issues arise or when problems need to be escalated.
 - b) Take actions and track them to closure.
 9. Provide continuity of interactions with internal stakeholders when team composition changes.
 - a) Communicate required information to new team members.
 - b) Maintain communication lines with internal stakeholders.
 - c) Communicate changes in team composition to the internal stakeholders.
- c. Support the implementation of managing internal stakeholders.**

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Defined Sourcing Processes



Governance Management

Ongoing

Level 3

Other

Establish and maintain documented sourcing processes for use across the organization.

Develop and maintain a set of documented sourcing processes that improve sourcing performance across the client organization, guide sourcing personnel in their activities, and provide a basis for cumulative, long-term benefits to the client organization. These benefits may include sourcing activities properly aligned with business objectives and processes, effectively organized, properly controlled, and verified by management review. These processes help to ensure mechanisms are in place to manage relationships with service providers while meeting the client's organizational sourcing objectives. With any sourcing relationship, problems may be experienced at some time during the life of the agreement. Without appropriate sourcing processes in place, the problems may fail to be identified or managed adequately. Well-developed and implemented sourcing processes enables the client organization to integrate and institutionalize best practices of planning, organizing, acquiring, implementing, delivering, supporting, and monitoring sourcing performance, to ensure that the client's sourcing activities support its business objectives.

This Practice is closely related to str04, "Sourcing objectives."

Activities

a. Provide support for creating and maintaining the work products and tasks for establishing and maintaining documented sourcing processes for use across the organization.

b. Document and implement the work products and tasks required for establishing and maintaining documented sourcing processes for use across the organization. Documentation and implementation include the following Activities:

1. Establish and maintain a set of sourcing processes and process assets for use across the organization.

- Process assets are any guidance documentation (e.g., processes, policies, procedures, guidelines, job aids, templates, checklists), or infrastructure needed to perform the work described in the guidance documentation (e.g., repositories, training, and tools). Process assets at the organizational level improve organizational efficiency by supporting common processes, training, and measures.

a) Identify needed sourcing processes, based on sourcing objectives, strategy, and policy.

- The client organization identifies and uses standard processes for managing service provider relationships and uses consistent processes when dealing with multiple providers across the organization.

- Sourcing processes include processes for sourcing strategy; sourcing governance; relationship management; sourcing value management; sourcing opportunity identification and operationalization; sourcing service design, deployment and delivery; sourcing management; and service provider management.

- Management establishes policies, sponsors process management, and acts as a role model to communicate that process discipline and improvement are important to the organization. Service providers may impact the process by executing tasks in it, interacting with it, or supporting it. Internal customers of the process provide vital feedback on whether the process is achieving tactical goals. The client organization provides feedback at a more strategic level on whether the process is addressing client needs adequately.

b) Identify relevant stakeholders for each process and process asset.

- Relevant stakeholders include senior management, sourcing managers, engagement managers, process owners, process users, process customers, and, potentially, service providers.

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- c) Identify the process owners responsible for coordinating the creation, maintenance, and improvement of the process and associated process assets.
 - Process owners should coordinate with process users in defining and improving the sourcing process and its process assets. The general recommendation is to begin with the “as is” process and transition to the “should be” process in collaboration with the process users.
 - d) Define the types of security, auditing and control tools required at each step in the process flow.
 - Refer to thr04 for security, confidentiality, and privacy requirements.
 - e) Identify intellectual property ownership and restrictions associated with identified process assets.
 - f) Identify and obtain tools needed to establish and implement sourcing processes, as appropriate.
 - g) Define the identified sourcing processes and process assets to support the execution of the processes.
 - h) Ensure that the organization’s sourcing processes and process assets are consistent with, and integrated with, the business processes of the organization.
 - i) Maintain documented sourcing processes.
 - The sourcing processes may be modified based on sourcing process performance, improvement opportunities, organizational requirements, service provider feedback, or internal stakeholders’ feedback. Refer to val04, “Improve sourcing processes,” for other sources of improvements to these processes.

2. Determine measures to track sourcing process performance.

- Performance measurements address status, progress, effectiveness, and efficiency. They may be used for control or improvement and may provide insight into potential process violations when performance is inadequate.
 - The quality specification is a source for determining the process verification needs, since it should indicate the quality strategy, which drives decisions about what needs to be verified. The quality specification may be a component of the service definition.
- a) Determine the attributes to measure to determine if processes are being consistently performed as defined.
 - Feasibility of verification should be considered when deciding the process attributes to be verified. Process attributes are typically defined through a checklist of items to be verified, including key process steps, deliverables, and measurements (e.g., number of hours spent performing each process step, number of defects discovered while performing the process).
 - b) Determine the performance measures for the attributes.
 - c) Determine the analyses and indicators to be used to understand and make decisions about process performance.

3. Establish a measurement repository to contain the data collected for the process assets.

4. Document tailoring guidelines that establish parameters for when it is appropriate, and permissible, to tailor process assets for specific sourcing management needs.

- Tailoring guidelines establish bounds on what additions, deletions, and changes to a documented process are allowed when tailoring a process asset.

5. Plan and track implementation of documented sourcing processes across the organization.

- a) Create a schedule of process communication, deployment, and training tasks.
- b) Identify roles and responsibilities of relevant stakeholders.

Defined Sourcing Processes cont'd

- c) Define the attributes to measure for tracking progress and status of implementation of sourcing processes against plan.
- d) Obtain review and approval of the sourcing processes and implementation plan from relevant stakeholders.
- e) Make process assets and data available to relevant stakeholders.
 - Refer to knw02, "Knowledge system," regarding common mechanisms for providing sourcing-related information to sourcing personnel and other affected stakeholders. Training and communication are also important aspects of deploying process assets, and changes to process assets.
- f) Communicate the sourcing processes and implementation plan to relevant stakeholders.
 - Management should ensure that appropriate procedures are in place to determine whether personnel understand the implemented policies and procedures and that the policies and procedures are being followed.
- g) Provide training on the sourcing processes to relevant stakeholders.
 - Refer to ppl02, "Personnel competencies," and ppl03, "Organizational sourcing competency," regarding common mechanisms for providing sourcing-related training to those individuals having sourcing-related responsibilities. Refer to ocm06, "Organizational change," regarding training of other affected personnel.
- h) Track progress and status of implementation of sourcing processes against the plan.
 - Tracking progress and status should include the following:
 - Determining actions to take when the progress deviates from the schedule.
 - Determining actions to take if process activities deviate from the planned process.
 - Determine actions to take if identified nonconformances impact process implementation.
 - Take actions and track them to closure.

6. Review tailoring of the process assets.

- It is important to distinguish the notions of "tailoring" and "improvement." Tailoring changes are made to account for specific needs of one group. For example, if only one engagement involves co-sourcing, that engagement may need to change the security procedures to account for non-employee access to restricted data. This change only occurs in the one engagement, since this situation is specific to it. In contrast, improvements to the organization's process assets are made based on organizational learning and are intended to make a change that benefits any group using that process asset in the future. For example, a security procedure is modified to account for a new type of threat that wasn't being tracked previously.

7. Create a plan for verifying processes.

- The plan should address the points in time, or points in the process, when verification is needed. It should also include review criteria, scope, task assignments, and conformance reporting that will be created based on the reviews. The implementation of this plan may be dependent upon the organization's existing process management systems that are already in use.

8. Collect data on sourcing process performance.

9. Periodically review that sourcing activities are consistently and effectively performed according to the processes and procedures of the organization.

- The selection of reviewers, and reviewing the adherence of the process, should ensure objectivity and impartiality. Periodic verification is intended to be an internal quality assurance function rather than external audits and assessments (e.g., eSCM-CL Capability Determination or ISO 9001 audits), which fill a different role in verifying quality and supporting process improvement.

10. Review the adherence of work products to the specified requirements at the identified times.

11. Document and communicate nonconformances of processes or work products to relevant stakeholders.

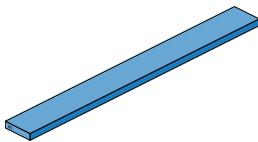
- a) Resolve identified nonconformances of processes or work products.
 - b) Escalate nonconformances when issues cannot be addressed locally.
 - c) Track resolution of nonconformances, taking action when appropriate.
- Resolution of a nonconformance may address the problem, change the requirement, or obtain a waiver from a designated authority.

12. Track status and progress against the plan for verifying processes.

- a) Determine actions to take when progress deviates from the plan for verifying processes.
- b) Take actions and track them to closure.

c. Support the implementation of establishing and maintaining documented sourcing processes for use across the organization.

gov05



Governance Management
Ongoing
Level 3
other

Align Strategy & Architectures

Align strategies and architectures to support sourcing across the organization.

The organization's strategy and architecture, addressing the organization's entire infrastructure including technology, processes, applications and communications infrastructure, provides the base for sustaining IT-enabled services. The client organization's business processes provide the basis for its daily operations. Some of these processes may be sourced to a service provider. As services are sourced, business processes adapt and change, and technology advances, it is the responsibility of the client organization to maintain a strategy and architecture that will support their IT-enabled services, as well adapt to changing market and technological demands and pressures.

The client organization's strategy and plans for its business processes and the technology that supports the performance of these processes should be reviewed to confirm that there is strong linkage to the business strategies and plans, as well as to the sourcing strategy and plans of the organization. Senior management should ensure that issues and opportunities are adequately assessed and reflected in the organization's long- and short-range plans. These plans should be developed and maintained to ensure that technology and business processes remain aligned with the sourcing strategies of the organization. Engaging in sourcing activities without ensuring that they are consistent with the client organization's strategy and architectures can lead to significant risk, potential impacts on service delivery and performance, and introduce unnecessary issues in service transfer.

Continual monitoring of technological advances and regulatory trends will ensure that the organization's technology architecture remains capable of supporting business process and sourcing needs. The enterprise architecture of its business processes and their implementing technologies should be continually maintained to ensure the ability of the organization to exchange information in a reliable, secure manner.

Ensuring integration of strategies is one mechanism for ensuring horizontal alignment. This Practice is focused on ensuring integration of sourcing activities with the organization's technology and business process strategies and architectures. It is focused on ensuring alignment of the strategy, plans, and implementations of the client organization's technology infrastructure and business processes with the sourced activities.

This Practice is closely related to gov06, "Business process integration" and tch03, "Technology integration."

Activities

- a. **Provide support for creating and maintaining the work products and tasks for aligning strategies and architectures to support sourcing across the organization.**
- b. **Document and implement the work products and tasks required for aligning strategies and architectures to support sourcing across the organization. Documentation and implementation include the following Activities:**
 1. Review the organization's business strategies and plans.
 - The organization's business strategies and plans should be reviewed to confirm that there is strong linkage between these business strategies and plans and the sourcing activities. There may also be business unit-level strategies and plans to be considered in performing these alignment analyses.

2. Review the organization's information technology strategy and plans.

- The organization's IT strategy and plans should be reviewed to confirm that there is strong linkage between the IT strategy and plans and the sourcing activities.

3. Define technical architecture that supports sourced services and modifications to sourced services.

- a) Identify and recommend the technology requirements necessary to deliver current and planned sourcing requirements.
- b) Align and regularly update a technology infrastructure plan which is in accordance with the organization's sourcing plans.
 - The technology infrastructure plan should encompass aspects such as systems architecture, technological direction, and migration strategies.
- c) Maintain hardware and software acquisition plans that reflect the needs identified in the technological infrastructure plan.

4. Align information technology capability with sourced services and modifications to sourced services.

- a) Review the organization's technology strategy and architecture.
- b) Align the organization's technology strategy and architecture with requirements and forecasted opportunities related to sourcing, and these are reflected in the organization's long- and short-range technology plans.

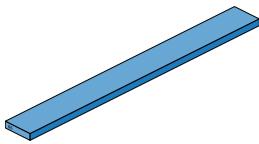
5. Ensure that business processes performed as sourced services are consistent with, and integrated with, the business processes of the organization.

- Refer to opa01, "Define current state," and ocm03, "Define future state," regarding the organization's current and planned process models.
- a) Review the strategies and plans for the business processes being sourced.
- b) Review the strategies and plans for the relevant business functions.
 - These business functions would typically be represented by those internal stakeholder units impacted by the sourcing action.
- c) Ensure integration of the business processes performed as sourced services with the business processes of the organization.
 - Refer to gov06, "Business process integration," regarding the integration of the client organization's business processes with those performed by service providers.

6. Ensure that the organization's sourced services comply with the organization's technology policies and standards.

- This practice also relates to thr05, "Compliance" which addresses the use of applicable standards and statutory and regulatory requirements on the sourced services.
- a) Based on the organization's technology infrastructure plan, define technology norms that will be used by the organization in order to foster standardization.
- b) Identify and document technical architecture and product or process standards applicable to the organization's sourced services.

c. Support the implementation of aligning strategies and architectures to support sourcing across the organization.

gov06**Governance Management**

Ongoing

Level 3

Procedure

Business Process Integration

Establish and implement procedures to manage the integration of business processes with those performed by service providers.

IT-enabled sourcing requires that the client organization's business processes be integrated seamlessly with those of the service provider since the service provider becomes an integral part of the client's operation and may take on many of the service delivery responsibilities at a scope and scale far beyond what's possible through the client's own operation. Processes must be coordinated between all the involved parties to achieve the agreed-to performance and service levels. This integration may be at the level of interfaces between processes and managing these interfaces, or may extend to a pervasive integration of processes and their execution. A goal of business process integration is to embed and reinforce the collaborative nature of the relationship between the client and service provider and ensuring integration of processes and performance measures is one mechanism for ensuring horizontal alignment.

This Practice is closely related to gov05, "Align strategy and architectures."

Activities

a. **Provide support for creating and maintaining the procedures for managing the integration of business processes with those performed by service providers.**

b. **Document and implement the procedures required for managing the integration of business processes with those performed by service providers. Documentation and implementation include the following Activities:**

1. Identify contact personnel from the client organization, service provider organization, and third parties who will be involved in the integration.

2. Identify and analyze process components required for integration.

→ This also includes examining the combined assets for redundancy.

3. Identify performance measures of the integrated business processes.

a) Determine the attributes to measure the integration of business processes with those performed by service providers.

b) Determine the performance measures for the attributes.

→ The measurement method should define the frequency and granularity of data collection. It should ensure that the data collected are reliable, accurate, and valid.

c) Involve relevant stakeholders in establishing performance measures.

d) Determine the analyses and indicators to be used to understand and make decisions about the integration of business processes with those performed by service providers.

4. Create a plan for integrating the business processes.

a) Define the objectives of required business processes integration.

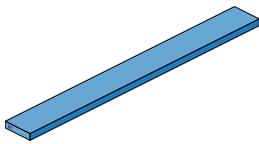
b) Identify barriers to the integration of the business processes.

c) Identify risks and their potential impacts regarding the integration of the business processes.

d) Select performance measures of business process integration to be monitored.

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- e) Identify the roles and responsibilities of the client organization and the service provider, including personnel responsibilities.
 - f) Create estimates of the resources required.
 - Resources include organizational resources such as personnel, training, technology, etc. for both the client organization and the service provider; and also include the effort and time frame required for each task.
 - g) Create schedules of milestones and progress reviews.
 - h) Determine the attributes of the plan to be tracked.
 - i) Select and document the method used for tracking the defined attributes.
 - j) Create a schedule of tasks.
 - Tasks should include the creation of an implementation approach for the business processes integration. Size and complexity of the integration may impact the implementation approach.
 - k) Obtain review and approval of the plan from relevant stakeholders.
 - The plan should be reviewed for correctness, clarity, and adequacy. Input on, and approval of, the program plans should be sought from the relevant stakeholders.
 - l) Communicate the plan to relevant stakeholders.
5. Track status and progress against the plan, according to the defined tracking methods.
- a) Determine actions to take when progress and status deviates from the plan.
 - b) Take actions and track them to closure.
- c. Support the implementation of managing the integration of business processes with those performed by service providers.**

gov07



Governance Management
Ongoing
Level 3
Guideline

Adapt to Business Change

Establish and implement guidelines for reviewing and adapting to changes.

The client organization's sourcing activities need to be aligned with the strategic needs of the business and evaluated on an ongoing basis. As business needs shift, the organization's sourcing activities should be reconfigured to accommodate the response to emerging conditions. Consequently, the client organization needs to work closely with its service providers so as to continuously adapt to changing requirements and needs. Processes should be constantly reviewed and refined to ensure that all activities add value appropriately. In order to achieve the maximum benefits of sourcing, clients should review their agreements and rectify any issues that have emerged due to change in business needs or constraints.

This Practice is closely related to mgt07. "Service change management."

Activities

a. Provide support for creating and maintaining the guidelines for reviewing and adapting to changes.

**b. Document and implement the guidelines required for reviewing and adapting to changes.
Documentation and implementation include the following Activities:**

1. Create an approach to identify and review proposed changes to the services and processes.
 - Major business changes can result in changes to services and processes. Formal guidelines will help identify the changes to be adapted, and will outline a process to request and approve the changes.
 - a) Identify proposed changes.
 - The proposed changes (or requests) could be raised internally by the client organization's personnel or by the service provider. All requests must be initiated, approved and implemented according to the process mutually agreed by the organization and the service provider.
 - b) Classify requests for service and process modification.
 - It is important to differentiate between change requests as part of the service itself, and the process for modifying the set of services being provided or the processes for providing and managing the service, which may require amendment of the agreement. The agreement may make provisions for certain types of service and process changes to be made without the need for an amendment. More significant changes may trigger the agreement amendment process.
 - c) Analyze the potential impact of proposed changes on the services being delivered.
 - The impact could be in terms of change in service including service levels, change in service delivery process, change in sourcing management process, change in governance structure and framework etc. The impact is also in terms of technology, personnel, and finance.
 - The impact analysis should be based on a cost-benefit analysis, feedback from organizations using similar technology, feedback on the experience of end-users, trials and demonstrations, analysis of operation and maintenance costs, and an analysis of obsolescence and economic life span. The analysis should take into consideration organizational objectives, business and market strategies, problems faced in operations, new contractual commitments of the client organization, and changes in the business environment. The impact analysis of the changes required should address changes to the systems and infrastructure of clients and partners. Financial considerations, such as set-up costs, integration costs, training costs, back-up costs, and the retirement of existing systems and parts, should also be considered. Positive impacts, such as improved performance, greater efficiencies, or new capabilities, may balance the effects of adverse impacts.
 - d) Decide whether the proposed change is within the scope of the current agreement or whether it requires an amendment to the current agreement.

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- e) Analyze the organizational change impact of the proposed changes.
 - Refer to ocm01, "Prepare for organizational change," regarding assessing readiness for change.
 - f) Determine parameters for approval of proposed changes.
 - g) Define roles, responsibilities and authorities for proposed changes.
 - The organization should determine who should be involved in analyzing proposed changes and who has decision rights regarding these changes. This could apply to change requests, analyzing and reviewing change requests, approving change requests, communicating changes, and implementing changes.
 - h) Determine frequency of analysis.

2. Identify potential changes to the services and processes.

- a) Identify requirements for potential changes to the services and processes.
 - Major business changes; due to growth, business mergers, acquisitions and reorganizations, and changing business requirements, can require changes to services and processes. Technological advances or updates can also serve as the impetus for changes to services and processes. Also, data from sourcing management activities can assist in identifying the strengths and weaknesses of sourced services to help the organization better achieve its sourcing objectives.
- b) Prioritize potential changes based on organizational and sourcing objectives.
- c) Select proposed changes to pursue based on the results of the prioritization and impact analysis.
 - Proposed changes should address the services, processes and process assets, resources, infrastructure, technology, and personnel necessary to address the business change.

3. Obtain review and approval of changes to services or service levels from relevant stakeholders, based on the proposed changes.

4. Create service modification requests for approved changes.

- Refer to mgt07, "Service change management," for managing modifications to services.

5. Review sourcing objectives and strategies for appropriateness, as business changes occur.

- Refer to str04, "Sourcing objectives," and str05, "Organizational sourcing strategy," regarding maintaining sourcing objectives and strategy, respectively.

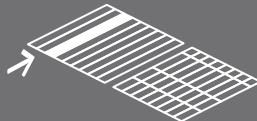
6. Review sourcing policies and processes for appropriateness, periodically or as business changes occur.

- Policies should be adjusted regularly to accommodate changing conditions. Policies should be re-evaluated, at least annually or upon significant changes to the operating or business environment, to assess their adequacy and appropriateness, and amended as necessary. Management should ensure the periodic review and approval of standards, policies, directives and procedures. This helps to communicate management's aims and directions. Refer to gov01, "Sourcing policy," and gov04, "Defined sourcing processes."

c. Support the implementation of reviewing and adapting to changes.

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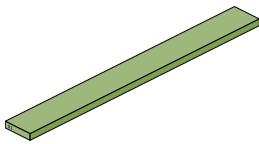
Relationship Management



The Relationship Management Practices focus on establishing and managing long-term relations with the service providers, and developing relationships with service providers. All Relationship Management Practices are Ongoing. These Practices cover the following:

- Relationship establishment: Deals with establishing the long-term relations with the service providers and the mechanisms that will be used for interacting with service providers.
- Relationship management: Focus on managing long term relations with the service providers and may span Initiation, Delivery, and Completion phases. Some of the issues addressed are managing agreements, managing expectations, and managing issues and managing operations. These Practices focus on long-term relationship with the service providers, aligning the client goals with those of the service provider through open and collaborative processes between the client and the service provider, and focusing on mutual benefits throughout the sourcing lifecycle.

rel01

**Relationship Management**

Ongoing

Level 2

Procedure

Service Provider Interactions

Establish and implement procedures to manage interactions with service providers.

Manage service provider interactions consistently in order to convey common, comprehensive requirements of client needs. Effective documenting of service provider interactions enables the creation of a relationship history, including an extensive record of client requirements.

Providing a common point of contact (i.e., the service provider relationship team) helps ensure the continuity of communication. It also establishes redundancy and ensures that there is an appropriate set of skills available to interact with the service provider. The service provider relationship team may be formed before a formal relationship with the service provider exists. The team should be maintained throughout the Sourcing Life-cycle, but its membership should be changed as necessary at each phase of the Life-cycle. Besides the service provider relationship team, there may be other personnel who interact with the service provider (e.g., end-users), but the service provider relationship team is responsible for verifying that the interactions are managed.

Activities

a. Provide support for creating and maintaining the procedures for managing interactions with service providers.

b. Document and implement the procedures required for managing interactions with service providers. Documentation and implementation include the following Activities:

1. Define objectives for interactions with service providers.

→ Objectives should focus on active governance, as it is not enough to hand off a sourced service to the service provider. Effective and successful sourcing arrangements require active involvement on multiple levels to gain the trust and understanding needed for a long-term relationship.

2. Identify the service provider interactions necessary to support these identified objectives.

a) Identify the types of service provider interactions to be managed and determine the types of interactions that require formal documentation.

→ Typically, a large number of personnel will have the potential of interacting with the service provider from time to time, not just members of the interaction team. When identifying the types of service provider interactions to be managed, it is important to consider which interactions will be the sole responsibility of the interaction team and how other types of interactions will be managed. Interactions could be planned, chance and need-based. For example, while performance reporting and review related interactions are periodic; the interactions related to issues or dispute management and amendment of agreements are typically need-based. For instance, if a staff member has a chance encounter with a service provider and learns about its dissatisfaction, that information should be collected and reported to the interaction team.

→ The types of interactions identified may include:

- Periodic working-level meetings with both end user groups and the provider to review provider's performance.
- Periodic management review of the sourcing relationship.
- Executive level oversight meetings with the provider's senior management to review provider's performance.
- Monitoring financial condition and operations of the service provider.
- Facilitation, which provides a vital liaison between service providers, customers and business communities to ensure service delivery success.
- Agreement monitoring.
- Sourcing management.
- Issue and dispute resolution.
- Service level management and coordination.

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- b) Identify the information to be documented for each type of client interaction.
 - c) Select tools and methods for documenting client interactions.
 - Types of information associated with service provider interactions can include originator, respondent, date, time, and the nature and status of the interaction. Tools used to document the interactions include questionnaires, templates, spreadsheets, e-mail, and specialized software.
3. Define the roles and responsibilities needed to meet the identified objectives.
4. Identify the personnel competencies required for the service provider interactions.
- The personnel competencies include technical as well as relationship management competencies. Personnel competencies for the interaction team will depend on the phase of the sourcing process, the service provider and the sourced services. Personnel competencies to consider for choosing team members include market sector expertise, service expertise, communication skills, listening skills, comprehension skills, relationship-management skills, and crisis-handling skills. Identified personnel competencies should be aligned with the defined objectives. Refer to ppl02, "Personnel competencies."
5. Identify points of contact with the service provider and alternative backup contacts.
- There may be differences in roles and responsibilities for each point of contact. The primary contact for some interactions may be sourcing management personnel, while, for other interactions, it may be business unit or end-user personnel.
 - a) For each identified service provider interaction, identify the primary and alternate backup contacts.
 - b) Identify mechanisms for maintaining regular interactions with the service provider contacts at various levels.
 - These mechanisms should provide for regular, ongoing communication and interaction, even when things are going well, and not just provide issue or dispute mechanisms for when difficulties arise.
6. Create plans for managing service provider interactions.
- Plans include a schedule for key interactions, an assignment of responsibilities for managing interactions, and an approach to collecting and managing information.
7. Define interaction handling and escalation methods.
- The methods to manage interactions will depend on the type of interactions – issues and disputes, agreement amendment requirements, performance reporting and meetings, relationship health-check, etc. For issues handling, refer also to rel04, "Issue management."
 - a) Select and document methods to prioritize interactions.
 - b) Identify types of interactions that may require to be escalated.
 - c) Define decision-making and prioritization processes.
 - d) Determine notification rules for each priority.
 - Rules include deciding who is notified at each stage, under what conditions the rules change, and the systems necessary to support the notification rules.
 - e) Define how these interactions will be reported and communicated.
8. Document the identified information during service provider interactions, using selected tools and methods.
- a) Obtain service provider approval, as appropriate, on documented information.
 - b) Analyze documented information to better understand service provider requirements and expectations.
 - c) Communicate relevant information from service provider interactions to relevant stakeholders.

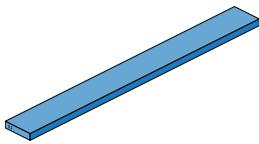
Service Provider Interactions cont'd

9. Track the issues and decisions made, taking action when appropriate.
10. Track status and progress against the plans for managing service provider interactions.
 - a) Determine actions to take when progress deviates from the plan.
 - b) Take actions and track them to closure.
11. Provide continuity of service provider interactions when the composition of the governance team changes.
 - a) Communicate required information to new team members.
 - b) Maintain communication lines with service providers.
 - c) Communicate changes in team composition to the service providers.

c. Support the implementation of managing interactions with service providers.

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rel02

**Relationship Management**

Ongoing

Level 3

Procedure

Service Provider Relationships

Establish and implement procedures to manage service provider relationships.

Develop and manage relationships with service providers in order to foster long-term relationships, and communicate to ensure a clear understanding of the client organization's requirements and needs. Having effective procedures to manage service provider relationships with existing service providers helps the client organization to communicate their changing needs and to proactively determine how to address them while also addressing the organization's objectives.

The interface between the client organization and its service providers is crucial to successful outcomes. To some, sourcing can imply delegation of final responsibility to the service provider. The reality is that accountability simply is not delegatable; the client organization needs to manage the agreement and relationships. The interfaces between client organization and its service providers are often very complex and should occur at multiple levels throughout the Sourcing Life-Cycle.

This Practice is closely related to rel01, "Service provider interactions." At Capability Level 2, service provider relationship management is focused on effectively managing interactions with service providers (rel01). At Capability Level 3, this is expanded into formal relationship management of the service provider relationships, which includes developing a joint understanding of the long-term business objectives of the client organization and how service providers will support attainment of these objectives (rel02).

Activities

a. Provide support for creating and maintaining the procedures for managing service provider relationships.

b. Document and implement the procedures required for managing service provider relationships. Documentation and implementation include the following Activities:

1. Define and build relationship management approach.
 - a) Create a plan to meet with service provider personnel to establish joint guidelines for ongoing interaction, decision-making, and handling issues.
 - Start developing a positive relationship with the service provider representatives by scheduling meetings and establishing guidelines for ongoing interaction. Both parties need to spend time on the development of the relationship and managing it successfully over the period of agreement.
 - Be clear about who plays what role in what types of decisions. To manage their relationship effectively both on a strategic and operational level, the parties need to develop decision-making protocols. Such protocols should outline major categories of decisions, and should describe which individuals and groups have what role in making them.
 - b) Coordinate with service provider personnel to establish joint guidelines for ongoing interaction, decision-making, and handling issues.
 - c) Communicate agreed-upon guidelines to relevant stakeholders.
2. Identify key contact personnel for the organization and selected service providers.
 - The organization should make sure that it is not dependent on a single contact person for any relationship. This will help mitigate risk in the event that a contact is unreachable. Similarly, in order to establish an effective relationship with the service provider, the organization should provide backup contact personnel. This will help ensure that the service provider is able to reach someone when necessary.

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- a) Define the roles, responsibilities, and authorities of the organization's contact personnel in regard to the sourcing relationship.
 - b) Identify a relationship owner who will be responsible for ensuring the quality of the relationships with the service provider.
 - c) Identify primary and secondary roles, as needed, for the client organization's contact personnel.
3. Establish relationships with the service provider's contact personnel.
- Relationships have formal and informal aspects. While the organization and the service provider often explicitly recognize the formal aspect (e.g., an account lead is assigned as a point of contact to a service provider executive), it is often advantageous to supplement this with informal relationship building (e.g., finding out about service provider personnel's personal interests and hobbies, or keeping a record of service provider birthdays and special events) to foster good will.
 - a) Identify target roles for developing relationships.
 - Target roles in the service provider's organization typically include senior executives (e.g., CEO, CIO, and CFO) and other members of management who have a significant impact on the relationship (e.g., vice president of service delivery).
 - b) Define relationship goals for each identified target.
 - c) Verify that the relationship goals are aligned with organizational and sourcing objectives.
 - d) Identify tasks needed for establishing and maintaining the relationships.
 - e) Create and document working-level procedures for performing relationship tasks.
 - f) Create and document working-level procedures required under strategic agreements, as appropriate.
 - Strategic agreements may involve formal agreements with a service provider that span multiple sourced services. These are typically in the form of strategic alliances, preferred supplier arrangements, or a master service agreement. Strategic agreements are typically separate from agreements for services for a specific sourced service.
4. Provide regular channels of communication with service providers.
- a) Identify preferred communication methods and media for each contact.
 - b) Coordinate communications between the client organization and the service providers.
 - c) Conduct periodic meetings to resolve issues jointly with the service provider.
 - Refer to rel04, "Issue management."
 - d) Identify and make available the information required by current and prospective service providers.
 - e) Obtain feedback from contacts on the status of the relationship.
5. Track the status of the relationships, taking action when appropriate.
- a) Conduct regular meetings among key stakeholders to review status and make key decisions.
 - b) Determine actions to take when the relationship deviates from expectations.
 - c) Determine actions to take when client sourcing objectives are not being supported.
 - d) Take actions and track them to closure.

Service Provider Relationships cont'd

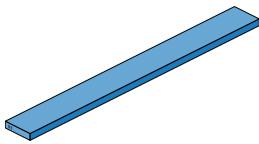
6. Periodically review the agreement and the status of the relationship with each service provider, and take action as appropriate.

- Reviewing the status of the relationship may involve examining the client organization's activities to manage the relationship, as well as the service providers' performance and actions in the relationship. Records may be used to determine type of future relationship with the service provider, including expanding or curtailing the relationship. Refer to gov02, "Service provider management."

c. Support the implementation of managing service provider relationships.

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rel03

**Relationship Management**

Ongoing

Level 3

Procedure

Internal Relationships

Establish and implement procedures to manage internal client relationships.

Manage internal client interactions consistently in order to achieve a common, comprehensive understanding of internal client needs. Effective collection, analysis, and tracking of internal client interactions enable the creation of an extensive record that can provide insight into internal client requirements and needs.

Providing a common point of contact helps ensure the continuity of communication and ensures that there is an appropriate set of skills available to interact with the internal clients and stakeholders. Resistance to change often occurs when individuals react to change, especially in situations where their information is limited or their fears of the new situation great. A trusting relationship with internal clients is important to overcome these barriers of in-house resistance.

Having effective relationships with internal clients helps the sourcing organization to understand the internal clients' changing needs and to proactively determine how to address them while also addressing the client organization's objectives. Having effective relationships also helps the sourcing organization to understand future needs and to position its capabilities to meet those needs.

The Practice is closely related to gov03, "Internal stakeholder management."

Activities

- a. Provide support for creating and maintaining the procedures for managing internal client relationships.**
- b. Document and implement the procedures required for managing internal client relationships. Documentation and implementation include the following Activities:**

1. Identify the internal functions and roles crucial to managing the relationship and service delivery for each sourced service.

→ Not all relationships need to be formally managed; the organization should identify those functions and roles that are critical to the operation of the organization and the delivery of service. This Identification may have to be reviewed through the Sourcing Life-cycle, as the Initial sponsor may not remain as the business owner of the sourced service throughout the life of the sourcing action.

2. Identify key contact personnel for the sourcing organization and selected functions.

3. Define the roles and responsibilities of the sourcing organization's contact personnel in regard to internal relationships.

4. Establish relationships with the internal contact personnel, functions, and roles.

→ Relationships have formal and informal aspects. While the formal aspect is explicitly recognized, it is often advantageous to supplement this with informal relationship management.

- a) Identify information and relationship management mechanisms for the contact for each identified function and role.
- b) Define relationship goals for each contact.
- c) Define relationship goals, aligned with sourced service and organizational objectives.
- d) Identify tasks needed for establishing and managing the relationships.

5. Provide regular channels of communication with the identified functions and roles.

- a) Identify preferred communication methods and media for each contact.
- b) Select or develop standard tools for managing the relationship.
 - Tools can be focused on communication or can be focused on management, or can be a combination, such as performance scorecards.
- c) Communicate the information and relationship management mechanism to each contact.
- d) Coordinate communications between the internal contacts and the service provider, as appropriate.
- e) Identify and make available the information required by the internal contacts.
 - For example, during initiation of a sourced service, a summary of agreement conditions and obligations may be communicated to relevant internal parties.
- f) Obtain feedback from contacts on the status of the relationship.

6. Participate with internal functions to meet their business requirements.

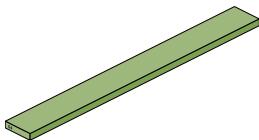
- a) Define the business needs of the internal functions with respect to the sourced services.
- b) Analyze and manage the expectations of internal functions and end-users.
- c) Coordinate with internal functions to perform demand forecasting and demand management.
- d) Coordinate service level management with internal functions to set and manage service levels.
- e) Perform service level reporting.
- f) Analyze the needs for aligning the sourced service with the business' needs, and making necessary changes to the service or service levels.
 - Refer to gov07, "Adapt to business change."
- g) Track, analyze, and report end-user queries and resolution, response times and trend identification.
- h) Participate in issue and problem escalation, negotiation, and dispute and conflict resolution.
- i) Participate in regular meetings among key stakeholders to review status and make key decisions.
- j) Measure and manage internal client satisfaction.
 - Refer to mgt09, "Stakeholder feedback."

7. Track the status of the internal relationships, taking action when appropriate.

- a) Determine actions to take when the relationship deviates from expectations.
- b) Take actions and track them to closure.

c. Support the implementation of managing internal client relationships.

rel04

**Relationship Management**

Ongoing

Level 2

Procedure

Issue Management

Establish and implement procedures to manage issues and their resolution.

Issues can arise in any aspect or phase of the Sourcing Life-cycle and impact the relationship between the parties (end-user, client organization (i.e., buyer or customer), client organization sourcing functions, service providers, and the service provider's suppliers and partners). Relationship management should ideally be proactive and collaborative, with client organizations, service providers and their suppliers and partners working together to resolve issues.

Issue management covers identification, documentation, escalation, negotiation, and dispute and conflict resolution of issues amongst the client organization, internal stakeholders, and the service provider. Also, effective issue management requires that negotiation and resolution techniques between the client and service provider organizations be standardized as a common repeatable issue management process.

Even in a well-managed relationship, issues will arise as a result of both avoidable and unforeseeable causes. What matters more is how involved parties deal with the issues in a way that not only resolves issues, but also settles disputes and conflicts. To prevent unnecessary escalations, a sourcing organization should define and implement a common method to resolve appropriate issue management directly. A good problem-solving method requires a mindset shift away from the common positional problem-solving approach to a collaborative method of joint problem solving.

This Practice is related to mgt05, “Problem & incident monitoring.”

Activities

a. Provide support for creating and maintaining the procedures for managing issues and their resolution.

b. Document and implement the procedures required for managing issues and their resolution. Documentation and implementation include the following Activities:

1. Identify methods to record issues or disputes reported by the service provider and the client organization.

- The issues or disputes could be reported either by the client organization' or the service provider's personnel, both formally and informally. The issues or disputes should be recorded by the client organization, irrespective of who raised the issue or the method of reporting.

2. Classify issues or disputes.

- Classification is typically based on the type of disputes—e.g., service levels achievement, service modification, process change, reporting, billing, invoicing, payments, or relationship management.

Problems and incidents and their resolution are addressed in Practice mgt05, “Problem & incident monitoring.”

3. Define issue and dispute handling and escalation methods for both the client organization and the service provider for the sourcing engagement.

- Service provider dispute handling and escalation is typically handled through a different process than disputes with either internal personnel or clients. However, the process will be similar in that methods for all three need to be defined for identifying, managing, and tracking disputes. The methods for dealing with issues may be outlined in the agreement or some other existing document, such as a Governance Charter. Refer to mgt04, “Agreement management,” regarding ongoing management of the agreement during delivery of the sourced service. Refer also to rel01, “Service provider interactions.”

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- a) Select and document methods to prioritize issues or disputes.
 - b) Identify types of prospective issues or disputes to be escalated.
 - c) Define decision-making and prioritization processes.
 - At Capability Level 2, these issues and disputes are typically addressed within the relationship or sourced service where they arose. At Capability Level 3, issues or disputes may be addressed across multiple sourced services or relationships.
 - d) Determine notification rules for each priority.
 - Rules include deciding who is notified at each stage, under what conditions the rules change, and the systems necessary to support the notification rules.
 - e) Identify approaches for issue or dispute resolution based on the type of issue or dispute.
 - Approach includes topics such as the personnel to be involved, mechanisms for resolution, and escalation authorities within the client organization.
 - f) Define how issues or disputes and their status will be reported and communicated.

4. Track issues, disputes, escalations, and their resolutions.

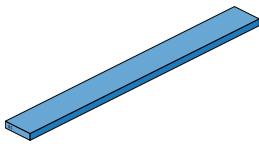
- a) Document and manage outstanding issues through an issue log.
- b) Determine actions to take when issues or disputes arise or when they need to be escalated.
- c) Escalate unresolved issues or disputes, as needed, according to documented escalation methods and priorities.
- d) Take actions and track them to closure.

5. Maintain records of issues, disputes, escalations, and their resolutions.

- Records may be used to determine type of future relationship with the service provider, including expanding or curtailing the relationship.

c. Support the implementation of managing issues and their resolution.

rel05

**Relationship Management**

Ongoing

Level 3

Other

Cultural Fit

Identify cultural attributes that impact the sourcing relationship and the sourced services, and implement actions to achieve cultural fit.

Integrate the cultures of the client organization, the service provider, and service provider's partners in order to support the coordination necessary to meet the client organization's requirements. Addressing cultural differences also improves stakeholder satisfaction and enables all involved personnel to work together effectively.

Cultural differences that impact the success of service delivery can include language, country, region, organizational (or corporate), decision-making style, attitudes toward working hours as it relates to time zone differences, availability of personnel for ongoing service management activities, and differences in cultural or values backgrounds. While it is not always necessary or appropriate for the client organization to ask the service provider to change its culture to that of the client, it is important to achieve a fit between those cultures to allow for effective service delivery. In some cases, cultural attributes may be specifically required for the engagement (e.g., language and accent requirements for call center engagements). In other cases the client, service providers and their partners may need to accept the differences and to identify ways to work together effectively (e.g., if the client has a consensus decision-making style and the service provider has a hierarchical decision-making style).

This Practice is closely related to ocm01, "Prepare for organizational change."

Activities

a. Provide support for creating and maintaining the work products and tasks for identifying cultural attributes that impact the sourcing relationship and the sourced services, and implementing actions to achieve cultural fit.

b. Document and implement the work products and tasks required for identifying cultural attributes that impact the sourcing relationship and the sourced services, and implementing actions to achieve cultural fit. Documentation and implementation include the following Activities:

→ It is essential to establish a cultural fit; the service providers' values and culture should align with those of your organization. Where possible, organizations seek cultural synergy. One criterion often used when selecting a service provider is cultural synergy. Governance groups can achieve improved results by identifying and building on strengths both cultures share.

→ Strong personal relationships, a team approach, mutual recognition of needs and capabilities, and good business and commercial relationships all support strong relationships between the parties. However, a shared approach to problem solving, similar values, and good personal chemistry among key staff people are also critical determinants of long-term success. Lack of cultural fit can impair the achievement of these success factors.

1. Identify the potential interactions between the client organization, service providers, internal stakeholders (such as end users), third parties, and customers.

→ The greater the number of interactions between the organization, service providers, end users, third parties and customers, the greater the need to bridge cultural differences. For example, the need to achieve a cultural fit is much greater in a call center—where language, accent and use of words play a very important role in service delivery—than in a network service engagement, where there is little interaction between the organization and client, or end-user, during service delivery.

2. Identify the cultural attributes that affect the organization's performance during interactions.

3. Identify the cultural gaps for each of the identified attributes.

- Cultural gaps can arise from differences in market sector, geographic area, or size of organizations. Gaps can include differences in language (e.g., accent and vocabulary), symbolism (e.g., colors and graphics), holidays, work ethic, as well as social and behavioral aspects (e.g., actions or words to be avoided).

4. Analyze the effect of cultural gaps on the sourcing relationship, interactions between the client organization and service providers, and the service, and their possible adverse consequences on the sourcing relationship and the sourced service.

5. Identify actions required to achieve a cultural fit.

- Actions can include training and guidelines on appearance (e.g., dress and grooming). Personnel who interact with clients, prospective clients, and end-users, and any other personnel who design, deploy, deliver, and support the services are affected by these actions.
- Managing a cultural gap does not always mean the organization has to make changes. Sometimes managing cultural gaps can just mean recognizing the gaps.
- Issues of cultural fit can be even more significant in environments where the organization and client personnel work side-by-side (e.g., differing holidays, dress codes, and overtime policies may be particularly noticeable).

6. Create a plan to achieve a cultural fit.

7. Obtain feedback on cultural fit achieved from relevant stakeholders, modifying the plan as appropriate.

- All identified cultural gaps may not have the same impact. However, it is important for clients to know these differences, so that they may also initiate actions to bridge the gap from their end, and support the organization's management of the cultural gaps.

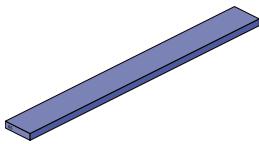
- a) Obtain stakeholder feedback on effectiveness of actions taken to achieve a cultural fit.
- b) Analyze stakeholder feedback.
- c) Modify plans to achieve a cultural fit, based on feedback received.

8. Track performance against the plan for achieving a cultural fit.

- a) Determine actions to take when performance deviates from the plan.
- b) Take actions and track them to closure.

c. Support the implementation of identifying cultural attributes that impact the sourcing relationship and the sourced services, and implementing actions to achieve cultural fit.

rel06

**Relationship Management**

Ongoing

Level 4

Guideline

Collaborative Relationships

Establish and implement guidelines for developing collaborative relationships with service providers.

Establish guidelines for fostering and nurturing collaborative relationships with service providers to protect customer interests, build stronger relationships, and foster service provider success. A key to successfully managing sourcing during long-term relationships is building trust and collaboration, which goes beyond an agreement's legal requirements to explore new ways that clients and service providers can engage in win-win activities. These activities could include providing service providers access to the resources they need in order to understand and analyze their ability to meet the service expectations, providing training to service providers, involvement in strategic planning sessions, or identifying areas of potential service additions. Client organizations may also invest in developing relationships with current and prospective service providers to help understand common interests, capabilities, and needs.

This practice is closely related to rel07, "Innovative relationships."

Activities

- a. **Provide support for creating and maintaining the guidelines for developing collaborative relationships with service providers.**
- b. **Document and implement the guidelines required for developing collaborative relationships with service providers. Documentation and implementation include the following Activities:**
 1. Identify the service providers for whom it is critical to establish collaborative relationships.
 - Not all relationships will develop to collaborative relationships; some will continue to be managed as a relationship. The client organizations should identify those service providers who are critical to the operation of the organization and the delivery of service. Refer to str05, "Organizational sourcing strategy," as a component of the organization's sourcing strategy provides guidance about the types of relationships that the organization prefers to implement with service providers, and when it is appropriate to enter into collaborative relationships.
 - a) Identify opportunities for developing collaborative relationship.
 - Collaborative opportunities can be derived from business and organizational objectives, market trends, service provider inputs and suggestions, and service provider performance records.
 - b) Identify services for developing collaborative relationships.
 - For example, services with high value creation opportunities.
 - c) Prioritize opportunities based on the business case, sourcing strategy, and organizational objectives.
 - d) Decide the opportunities to pursue based on the priorities.
 - e) Identify service providers for developing collaborative relationships.
 - Identification of service providers could be on several parameters. For example, service providers who are likely to be receptive to developing collaborative relationships, service providers who proactively suggest approaches for value creation through innovation, and suppliers with a superior performance record.
 - 2. Encourage participation and involvement through cross-functional teams.

3. Involve service providers in participative approaches regarding their sourced services.

- a) Engage in common goal setting with both client organization and service provider personnel.
- b) Jointly participate in managing demand.
- c) Manage scope jointly.
- d) Collaboratively prioritize activities.
- e) Implement, where appropriate, flexibility in agreements to support agility and collaborative endeavors.
 - Refer to mgt04, "Agreement management," and agr07, "Amend agreements," regarding ongoing management of the agreements with service providers.

4. Manage jointly with service providers to meet defined objectives and constraints.

- For example, managing total cost of ownership (TCO) jointly.

5. Jointly implement performance management of relationships with service providers.

- a) Use performance management tools across the relationship.
 - An example of such a performance management tool is the Balanced Scorecard.
- b) Determine jointly with the service providers the attributes and performance measures to measure both tangible and intangible aspects of the relationship's performance.
- c) Determine jointly with the service providers the attributes and measures to measure value creation or value leakage within the relationship.
 - Refer to mgt10, "Service value analysis," and val06, "Business value and impact."
- d) Define jointly the analyses and indicators to be used to understand and make decisions about relationship performance.
- e) Periodically jointly review the performance and status of the relationship with each service provider.
- f) Jointly decide on actions to take to improve the relationship and its performance, when the relationship is not delivering planned results, performance, or value.

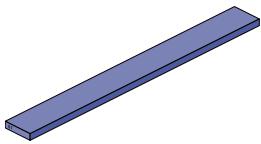
6. Encourage the use of joint problem-solving and decision making across organizational boundaries.

7. Provide opportunities for skill building for both client organization and service provider personnel to support collaborative relationships.

- Topics that could be addressed include:
 - teamwork,
 - problem solving / joint problem solving,
 - negotiations,
 - conflict management,
 - performance management, and
 - management of relationships that involve simultaneous cooperation and competition.

c. Support the implementation of developing collaborative relationships with service providers.

rel07

**Relationship Management**

Ongoing

Level 4

Other

Innovative Relationships

Develop relationships that focus on value creation through innovation.

Foster relationships that encourage service providers to proactively identify and communicate value creation opportunities, and work collaboratively with the client to improve both the client and themselves in order to create value. A service provider who helps a client to meet their changing business objectives will contribute to client satisfaction and be viewed by the client as a valued business partner. The client may identify new business opportunities with the service provider as a result.

“Value creation” refers to an increase in the business benefit. In the context of this Practice, value creation is more than the service provider adding value through the service delivery already being provided. It includes the act of identifying opportunities of greater business value for the client, including innovations such as new business arrangements or enhanced technologies, and other opportunities for creating value or making improvements.

The focus of this Practice is on developing trust, adding value, and encouraging innovation, not just with the service provider; but across all aspects of relationships involved in a sourced service. This includes the relationships with service providers and with the business units, and requires an emphasis on evolving the management of the relationships, as they have the potential to become strategic alliances characterized by shared risk and shared reward. All parties have a responsibility to maintain the partnership aspect of the relationship to achieve the objectives of creating value and deploying innovations. This relationship must be monitored and nurtured, and kept robust and agile.

This Practice is closely related to val05, “Innovation.”

Activities

- a. **Provide support for creating and maintaining the work products and tasks for developing relationships that focus on value creation through innovation.**
- b. **Document and implement the work products and tasks required for developing relationships that focus on value creation through innovation. Documentation and implementation include the following Activities:**
 1. Communicate information about the client organization’s business objectives, sourcing strategy and objectives to appropriate personnel.
 - These personnel could be within the client organization or the service providers. The information to be shared may include information that client organizations may not widely share at lower Capability Levels. Refer to str04, “Sourcing objectives” and str05, “Organizational sourcing strategy” regarding the sources of this information, and to knw05, “Share knowledge,” regarding sharing of knowledge among stakeholders.
 2. Define methods for proactively identifying value creation opportunities.
 - a) Identify sources of information to be analyzed.
 - Sources of information can be both internal (e.g., similar service offerings) and external (e.g., industry innovations).
 - b) Determine frequency of analysis.

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- c) Identify opportunities for interaction with service providers about value creation opportunities.
- Evaluation of service provider's performance is critical to ensuring the organization is obtaining what it is paying for. Monitoring should not be limited to performance; with the continuous improvement and quality initiatives common to most firms, service provider typically report on their initiatives regarding their performed services. These interactions, as well as regular client interactions, provide opportunities to identify potential value creation opportunities that the service provider and client organization can pursue.
 - Other interactions that may lead to potential value creation opportunities include participation in industry/technology information sharing with key service providers.

- d) Define mechanisms for interactions with service providers about value creation opportunities.
- Service providers should be motivated to act collaboratively with their clients. As part of this collaboration, they may identify and implement the most-desirable innovations, prioritized by business value and linked to business goals. Refer to rel06, "Collaborative relationships."

3. Identify value creation opportunities.

- Sources of information can be service provider interactions, service provider suggestions, internal research and development, published research, and benchmarking against best practices. Types of value creation opportunities can include innovations in technology, processes, tools, sourcing management approaches, or business models.

4. Analyze candidate innovations.

- Major changes frequently involve piloting innovations on a limited basis and comparing the pilot results against capability baselines. It may not be appropriate to share all opportunities with all service providers. Not only does applicability of the opportunity need to be analyzed, but the organization should also consider the service provider's receptiveness to change.

a) Identify the services and stakeholders who may benefit from the innovation.

b) Create a business case for each candidate innovation.

- The business case should show a compelling need for change in terms that are quantifiable. Each opportunity analyzed should include a description of the value derived and a preliminary time line that outlines the sequence of potential programs that can be undertaken to achieve that value. The business case may be prepared jointly with the service provider and may include customizing the service currently being offered to the client. When creating a business case, it is important to understand intellectual property issues. If not adequately protected, innovations viewed by the client organization as proprietary or competitive may be used by the service provider, or even shared by the service provider with client's competitors—if the service provider is also providing the same or similar service to client's competitors—without the client organization's permission. The organization should take steps to protect any intellectual property before sharing information with service providers.

c) Analyze the potential impact of identified opportunities.

d) Prioritize opportunities based on the business case and organizational objectives.

e) Decide the opportunities to pursue based on the priorities.

5. Communicate identified opportunities, business cases, and impact analysis to relevant stakeholders.

- a) Coordinate identified opportunities with relevant internal stakeholders.
- b) Coordinate with service providers on the value creation opportunity business case, as appropriate.
 - It may not be appropriate to share all opportunities with all service providers. Not only does applicability of the opportunity need to be analyzed, but the organization should also consider the service provider's receptiveness to innovation.

Innovative Relationships cont'd

6. Decide, with the relevant stakeholders, on potential changes to service, or service levels to be pursued, based on selected innovations.

7. Create the program plans for selected innovations, along with service providers.

a) Identify barriers to the adoption of selected innovations.

→ Barriers to innovation include the lack of a perceived advantage over existing technologies, tools, and processes; the complexity of the innovation, which can affect the learning curve; and compatibility with current technologies, tools, and processes, which can affect the deployment.

b) Identify the tasks required to achieve program objectives.

→ Examples of tasks used to support for adoption of innovations include briefings, training, user groups, and help desks.

c) Define the roles and responsibilities of the client organization and the service provider, including personnel responsibilities.

d) Create estimates of the resources required for each program.

→ Resources include organizational resources such as funding, personnel, technology, etc. for both the client organization and the service provider; and also includes the effort and time frame required for each task.

e) Create schedules of milestones and progress reviews.

f) Determine the attributes of the program to be tracked.

g) Select and document the method used for tracking the defined attributes.

h) Create a schedule of program tasks.

→ Program tasks should include the creation of an implementation approach for the program. Size and complexity of the program may impact the implementation approach—e.g., large programs may be implemented through a series of small releases.

i) Document personnel assignments in the program plans.

j) Review the program plans.

→ The program plans should be reviewed for correctness, clarity, and adequacy. Input on, and approval of, the program plans should be sought from the relevant stakeholders.

k) Obtain review and approval of the program plans from relevant stakeholders.

l) Communicate program plans to relevant stakeholders.

8. Modify services, or service levels, based on agreed-upon opportunities.

→ Refer to mgt07, "Service change management."

c. Support the implementation of developing relationships that focus on value creation through innovation.

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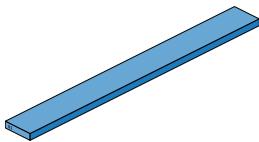
Value Management



The Value Management Practices focus on fostering and managing the culture of continuous improvement so that the client derives value from the sourcing relationship, and ensuring ongoing alignment of the sourcing strategy and the organization's sourcing performance with the organization's objectives. All Value Management Practices are Ongoing.

The organization's sourcing value management activities encompass two aspects of evaluating the value of the sourcing activities. The first deals with evaluating the benefits and impacts of a specific sourcing action, which is covered in Sourced Services Management. The second deals with evaluating the value of the organization's sourcing activities, and is addressed here in Value Management. These Practices cover the following:

- Reviewing and analyzing sourcing performance: reviewing the sourcing performance against market benchmarks by benchmarking the sourcing performance of the organization, competitive analysis of its sourcing performance as compared to that of other client organizations, and analyzing performance of internal sourcing processes.
- Reviewing the sourcing strategy for business alignment and assessment: Deals with ongoing review of the organization's sourcing strategy and activities, reviewing the realization of required benefits, aligning the business processes with the new capabilities and needs, analyzing the success of the agreement in light of business objectives, and ensuring alignment of sourcing activities with the objectives of the organization.
- Fostering innovation: Institutionalizing the culture of innovation, ensuring that continuous improvement enables relationships where the client organization and the service provider can effectively meet or exceed stakeholder value drivers.

val01**Value Management**

Ongoing

Level 3

Procedure

Organizational Sourcing Performance

Establish and implement procedures to review organizational sourcing performance.

Analyze key performance measurements across the client organization in order to manage and improve organizational sourcing performance. Using well-defined performance measurements as a basis for making managerial decisions helps to ensure the consistency and relevance of the decisions. Periodic reviews allow management to compare organizational sourcing performance to the performance requirements, thereby enabling the client to make sourcing performance improvements.

Client organizations need to manage their sourcing activities by identifying and utilizing measures or indicators that best represent the factors that lead to improved customer, operational, and financial performance. Measures of service provider performance and of sourcing process performance guide improvements.

Activities

a. Provide support for creating and maintaining the procedures for reviewing organizational sourcing performance across the organization.

b. Document and implement the procedures required for reviewing organizational sourcing performance across the organization. Documentation and implementation include the following Activities:

1. Create plans for reviewing organizational sourcing performance.

2. Collect data on organizational sourcing performance.

→ Organizational sourcing performance depends on the performance of each sourced service in the organization. Much of the data used for monitoring and controlling organizational sourcing performance will be collected at the level of each sourced service and aggregated as appropriate for organizational analysis.

3. Perform financial analyses and review of sourcing activities.

→ Refer to mgt03, "Financial management," regarding ongoing financial management of each sourced service.

4. Track status and progress for achieving the organization's sourcing objectives.

→ Organizational performance reviews are the primary mechanism for tracking status and progress. The plans for achieving sourcing objectives were defined in str04, "Sourcing objectives."

a) Periodically review status and progress of the organization's sourcing activities against their sourcing objectives.

→ Multiple levels of performance review may be performed for different audiences with different interests. Frequency, scheduling, and duration of review, and critical reviewers should be determined.

b) Determine appropriate actions to take when status and progress trends deviate from achieving the objectives.

→ Corrective actions are targeted at addressing a specific performance issue (e.g., renegotiating due dates, asking personnel to work overtime, etc.). Improvement actions are targeted at achieving long-term performance improvement (e.g., improving processes or technology, addressing root causes of recurring problems, etc.).

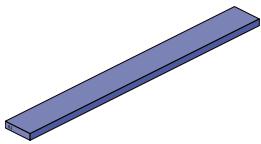
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- c) Track the corrective actions, taking action as appropriate.
 - Corrective actions are implemented within this Practice. Improvement actions relating to the organization's sourcing processes and process assets are implemented in val04, "Improve sourcing processes," and improvements to service delivery are implemented through mgt06, "Service delivery change management," or mgt07, "Service change management," as appropriate.
 - d) Review sourcing objectives and the organization's status of achieving these objectives with senior management on a periodic basis.

5. Periodically review performance of the organization's sourcing processes.

- Refer to str04, "Sourcing objectives," regarding the definition of the organization's sourcing objectives, alignment of these objectives with the organization's business objectives, and tracking achievement of the sourcing objectives.
- a) Review performance of the organization's sourcing processes.
- b) Review performance of the organization's sourcing processes against the organizational objectives.
 - Multiple levels of performance review may be performed for different audiences with different interests. Frequency, scheduling, and duration of review, and critical reviewers should be determined. The focus of these reviews will change with increasing capability of the client organizations. For example, at Capability Level 2, the focus is on sourcing activities meeting financial targets. At Capability Level 3, the focus regarding financial performance is also on meeting financial targets for the organization. At Capability Level 4, the focus expands again to determine whether sourcing objectives are meeting targeted levels and exhibit sustained improvement in their performance metrics.
- c) Determine appropriate actions to take when performance trends deviate from achieving the organization's sourcing objectives.
 - Corrective actions are targeted to address a specific performance issue. Improvement actions are targeted at achieving long-term performance improvement (e.g., improving processes or technology, or addressing root causes of recurring problems).
- d) Track the corrective actions, taking action as appropriate.
 - Corrective actions are implemented within this Practice. Improvement actions relating to the organization's sourcing processes and process assets are implemented in val04, "Improve sourcing processes," and improvements to service delivery are implemented through mgt06, "Service delivery change management," or mgt07, "Service change management," as appropriate.
- e) Review performance against the organization's sourcing objectives with senior management on a periodic basis.
- f) Communicate to senior management the performance and capability of the organization's sourcing processes.

c. Support the implementation of reviewing organizational sourcing performance across the organization.

val02



Value Management

Ongoing

Level 4

Other

Capability Baselines

Define capability baselines for the client organization by analyzing sourcing performance data.

Use well-defined capability baselines in order to predict performance, make accurate estimates, and improve the quality of sourcing activities. A statistically significant capability baseline provides a basis for the sourcing organization to analyze whether performance deviations are within expected ranges or if they represent exceptions that need to be investigated and addressed. Doing this provides a firm basis for deciding how to allocate resources and make sourcing organizational improvements.

This Practice expands on the measures established in str04, “Sourcing objectives,” which covers the creation of sourcing objectives. While the focus of str04 is on establishing measures that help the client organization effectively manage and improve its sourcing performance, the focus of this Practice is on establishing performance baselines for sourcing capabilities. This is done through statistical process control techniques that rely on historical performance data collected in val01, “Organizational sourcing performance.” Statistical comparison of the capability baselines will determine the effectiveness of these programs undertaken to achieve client organizational objectives, and may be used in benchmarking sourcing organizational performance (val03, “Benchmark sourcing processes”) or improving sourcing processes (val04, “Improve sourcing processes”).

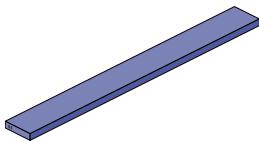
Activities

- a. Provide support for creating and maintaining the work products and tasks for defining capability baselines for the client organization.**
- b. Document and implement the work products and tasks required for defining capability baselines for the client organization. Documentation and implementation include the following Activities:**
 1. Select the capabilities to baseline.
 - a) Review organizational objectives and objectives for sourced services.
 - b) Review performance measurements and standards.
 - c) Determine scope and types of baselines to be created based on the reviews.
 - The set of baselines that are defined should cover the organization's capabilities as a whole, but may also be made up of individual baselines at engagement, project, sourced service or other level of detail. These may be established for classes of sourced services that share common characteristics.
 - A separate capability baseline should be created whenever there are substantial differences in services characteristics. Service characteristics include infrastructure used to design, deploy, or deliver the service; personnel competencies; and client attributes. Organizational capability baselines can include time-to-deliver, time-to-respond, number of defects, and cost.
 2. Identify the performance measures to be used for the capability baselines.
 3. Collect performance data for identified measures.
 4. Analyze performance measurements to derive capability baselines.
 - Several pre-conditions must be met for capability baselines to be established: 1) processes are stable enough that data is reliable to establish performance baselines, and 2) sufficient data is collected, analyzed, reported to be used as a baseline, not just a few days or weeks worth.
 - A common method of analysis is to use statistical techniques, such as control charts.

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5. Periodically review data from performance measurements and maintain the capability baselines, as appropriate.

c. Support the implementation of defining capability baselines for the client organization.

val03



Value Management

Ongoing

Level 4

Other

Benchmark Sourcing Processes

Benchmark the client organization's sourcing-related processes by comparing performance with other client organizations involved in similar relationships.

Benchmark the sourcing practices of the client organization using best practices from reference models, other client organizations engaged in sourcing, or industry leaders in order to identify opportunities for improvement. Benchmarking allows the client organization to objectively analyze its sourcing processes.

There are three different types of benchmarks that are commonly used by organizations to improve performance, each of which should be considered when implementing this Practice. The first type of benchmarking measures the performance of the organization's processes and compares them to the measured performance of industry best practices. This type of benchmarking is used to determine the quantifiable difference in performance, and whether the difference matters. The second type of benchmarking compares the organization's processes to industry best practices in order to identify the practices that lead to superior performance [Camp 1989]. This type of benchmarking is used to identify how to achieve superior performance. The third type of benchmarking compares the organization's processes against standards or models. This type of benchmarking is used by the client organization to determine what processes need to be defined or improved to achieve superior performance. An eSCM-CL Capability Determination is an example of this third type of benchmarking. The eSCM Capability Determination methods provide a means for self-appraisal or external evaluation of the client organization's sourcing processes. Some organizations find value in elevating their own organization's eSCM-CL Capability Level to close potential process gaps between the client organization and their service providers.

This Practice is closely related to val02, "Capability baselines," and val04, "Improve sourcing processes." The focus of this Practice is on identifying the best practices that will lead to measurably superior performance of the organization. Improvement programs that lead to the adoption of best practices and overall enhancements to process performance are a natural consequence of benchmarking.

Activities

a. **Provide support for creating and maintaining the work products and tasks for benchmarking the client organization's sourcing-related processes.**

b. **Document and implement the work products and tasks required for benchmarking the client organization's sourcing-related processes. Documentation and implementation include the following Activities:**

1. Identify processes to benchmark based on organizational sourcing objectives, stakeholder inputs, and senior management inputs.

2. Identify the "best practice" processes to use as the basis for comparison.

→ A best practice is an accepted and customary way of doing something that has been shown to significantly improve the bottom line in terms of productivity, costs, schedule, quality, user satisfaction, or predictability. Although commonly used, the modifier "best" can be misleading since it depends on the context in which the practice is being implemented. For example, earned value is a best practice for projects doing service design work; in an operational environment where planning is based on the level of effort, earned value is not useful. "Accepted and customary" also depend on context. Accepted and customary best practices in a commercial context may be unacceptable, perhaps even illegal, in the context of government contracting. In government contracting, the priority tends to be on fairness and equitability rather than efficiency because of the need to avoid the appearance of corruption.

3. Identify the information required to create the desired benchmark comparison.

4. Create the approach used for comparing data between the best practice and the organizational processes.

- Because no two situations are ever exactly alike, performance data can vary widely. Understanding this variability, and accounting for it in a methodical and systematic manner, is key to a fair and repeatable benchmarking approach. For this reason, the benchmarking plan should not only identify the attributes to be measured and the sources of data for comparison, but should also identify factors that influence the attributes. Factors such as size, complexity, and reliability required for a process can substantially affect the identified attributes. The influencing factors will be useful in establishing a mechanism for adjusting or normalizing the data to more fairly compare organizational processes against best practice and establish realistic expectations for improvement.

5. Collect internal data on the organizational processes to benchmark.

- A capability baseline may already exist that contains the necessary performance data. If one does not exist, it may need to be created, although benchmarking is not necessarily quantitative.

6. Collect performance data on the best practice to benchmark.

- Locating and securing relevant external data and making comparisons are often quite involved. Some data can be collected through regular literature research and the collection of knowledge from organizational interactions in the market. Offering-specific, or service-specific, comparison data may also be obtained from organizations specializing in the collection and comparison of such information. Close attention should be given to the quality of the external data by examining the data collection methodologies (for consistency), the environmental data that are available to characterize the desired performance attribute data, data currency, and data sources (e.g., the type of service provider from which the data was obtained: external, internal, or tier 1 and tier 2).

7. Compare the performance of organizational processes to best practices, identifying gaps in performance.

- Conduct the Comparative assessment. Many organizations have found it useful to examine their peers in terms of sourcing strategies they have evaluated and adopted.
- Benchmark processes and systems will continue to evolve even as they are being adopted. This continuing evolution should be factored into the comparison. Although the organization should have the ability to statistically compare organizational processes to best practices, statistical or quantitative comparisons are not always necessary. For example, comparisons of functions or attributes may be sufficient in some benchmarking projects.

8. Initiate the improvements needed to close gaps that were identified as a result of benchmarking.

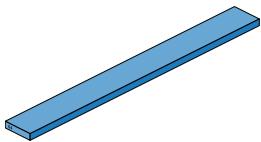
- Refer to val04, "Improve sourcing processes."

9. Communicate results of the benchmarking effort to relevant stakeholders.

- a) Measure and communicate results over a specific time period and benchmark across the enterprise, particularly if multi-sourcing.
- b) Communicate about the leading practices.
 - This serves as a knowledge refreshment assessment by providing an update on knowledge of leading practices to relevant stakeholders.
- c) Disseminate information to relevant stakeholders and other relevant organizations involved similar sourcing activities.

c. Support the implementation of benchmarking the client organization's sourcing-related processes.

val04



Value Management

Ongoing

Level 3

Other

Improve Sourcing Processes



Improve sourcing-related processes based on reviews of organizational sourcing performance.

Use the knowledge gained from performance reviews in order to improve the organization's sourcing performance and increase the stakeholders' value. Improvements can build upon existing strengths to continue to improve the organization's sourcing capability; they can also address areas for improvement that are causing problems with performance, morale, satisfaction, or other aspects of sourcing management.

Analyzing information generated internally as well as collected from external sources helps in making process improvements to better manage sourcing. Other sources of improvement suggestions result from review of sourcing performance and appraisals or audits of sourcing activities.

When compared with the client's sourcing goals and objectives, these analyses provide a basis for deciding how to allocate resources in order to make sourcing organizational improvements.

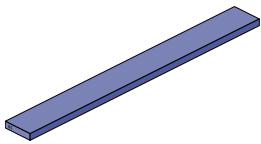
This Practice is closely related to str04, "Sourcing objectives," val01, "Organizational sourcing performance," val03, "Benchmark sourcing processes," and val07, "Sourcing alignment."

Activities

- a. Provide support for creating and maintaining the work products and tasks for making improvements based on reviews of organizational sourcing performance.**
- b. Document and implement the work products and tasks required for making improvements based on reviews of organizational sourcing performance. Documentation and implementation include the following Activities:**
 - Organizations should be engaged in continual improvement of their sourcing practices. At Capability Level 3, this improvement is driven by reviews of sourcing objectives (str04) and organizational sourcing performance (val01). At Capability Level 4, this includes incorporating lessons learnt from benchmarking (val03) of peers who have engaged in similar sourcing decisions, as well as improvements suggested by analyses of the capability baselines of the organization's sourcing processes (val02).
 - 1. Collect data used to identify potential candidates for improvement.
 - Data are collected to identify needed improvements (e.g., performance deficiencies), opportunities for improvement (e.g., new technology), and improvement priorities.
 - Monitor the process: For the IT and internal control processes, management should ensure relevant performance indicators (e.g., benchmarks) from both internal and external sources are being defined, and that data is being collected for the creation of management information reports and exception reports regarding these indicators.
 - a) Collect data from reviews of organizational sourcing performance.
 - b) Identify and collect other sources and types of information.
 - Information sources other than performance reviews include stakeholder surveys, improvement requests, improvement suggestions, and Service Level Agreement tracking data.
 - 2. Analyze the data collected to identify the improvements to pursue.
 - Examples of potential improvements include revising organizational standards, policies, and procedure, adopting new technologies and tools, outsourcing needed capabilities, and enhancing training.

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- a) Analyze the data to identify candidate improvements.
 - Causal analysis can be used to identify high leverage opportunities.
 - b) Analyze the cost and benefits for each candidate improvement.
3. Select identified process improvements.
- a) Prioritize the improvements to pursue, based on the analyses and organizational objectives.
 - b) Select improvements to pursue from the prioritized improvements.
4. Create a plan for improving sourcing-related processes.
- a) Identify the tasks needed to make improvements.
 - b) Create a schedule of improvement tasks.
 - c) Identify resources needed to make improvements.
 - d) Review the plan for correctness, clarity, and adequacy.
 - e) Obtain review and approval of the plan from relevant stakeholders.
5. Track performance against the improvement plan.
- a) Determine actions to take when performance deviates from the plan.
 - b) Determine actions to take when improvements are not meeting cost/benefit projections.
 - Progress implies a positive, non-trivial return on investment. Examples of return on investment measures include client satisfaction, win rate, reliability, and cost per transaction. The organization may decide to reprioritize, including eliminating a set of improvement tasks, if the benefits expected are not being achieved.
 - c) Take actions and track them to closure.

c. Support the implementation of making improvements based on reviews of organizational sourcing performance.

val05**Value Management**

Ongoing

Level 4

Program

Innovation

Establish and implement programs to encourage and deploy innovations through sourcing relationships and sourced services across the organization.

Establish programs for deploying innovations in sourcing relationships and sourced services across the organization, including new technologies, tools, and processes, in order to continually improve the client organization's sourcing performance and meet or exceed the client organization's sourcing objectives. It is the client organization's responsibility to deploy these innovations, and they are typically deployed across the entire organization. But deployment and adoption of innovations may be done within each engagement, and may involve clients, end-users, other stakeholders, and potentially service provider personnel.

This Practice addresses two critical aspects of innovation:

- Encouraging and supporting innovation in sourcing activities across the organization. (Activities 1-4)
- Implementing programs to deploy innovations in sourcing across the organization. (Activities 5-10).

Innovations may spring from many sources: people, markets, and service providers, as well as reviews of ongoing sourcing performance. Innovation implies a major change in the way that work is done; these changes are significant enough to require planning and managing them as a program. Incremental changes are managed as part of the normal support and continual improvement of the organization's technologies, tools, and processes. Major changes that affect the organization need to be actively managed because of the learning curve and potential impacts associated with the change. In some cases, major changes may be driven by client, statutory, or regulatory requirements, rather than by innovation. These types of changes, while major, are not covered by this Practice.

This Practice is closely related to str04, "Sourcing objectives," since deploying innovations is often done to achieve a defined objective. Innovation may be driven by opportunities to create value, covered in mgt10, "Service value analysis," or suggested by service providers, in either rel06, "Collaborative relationships," or rel07, "Innovative relationships," or through benchmarking, covered in val03, "Benchmarking sourcing processes." Innovation should be encouraged by the client organization to improve its competitive position or provide value to the stakeholders.

Activities

- a. **Provide support for creating and maintaining the work products and tasks for establishing and implementing programs to encourage and deploy innovations through sourcing relationships and sourced services across the organization.**
- b. **Document and implement the work products and tasks required for establishing programs to encourage and deploy innovations through sourcing relationships and sourced services across the organization. Documentation and implementation include the following Activities:**
 1. Communicate to relevant stakeholders about innovation.
 - a) Communicate the purpose for encouraging and supporting innovation.
 - b) Communicate senior management support for innovation.
 - c) Communicate about innovation in the organization and industry.
 - d) Communicate about innovation in sourcing relationships.

2. Identify actions that encourage and support innovation.

→ Examples of approaches to encourage innovation include providing personnel with flexibility to choose solutions that achieve assigned objectives, implementing new management techniques, establishing improvement initiatives, and implementing new tools to foster creative thinking and communication.

a) Implement human capital practices that encourage innovation.

→ These could include reward and recognition, innovation goals in career plans, innovation goals as a component of goals for units, teams or individuals, and training and mentoring activities to support continuous capability improvement.

b) Create rewards and recognition that encourage innovation.

→ This may include publishing information on innovative approaches that were implemented in the organization, and giving formal recognition to personnel responsible for those innovations.

c) Address innovation goals in individual's career plans.

→ Innovation is risky by its nature. Encouragement of innovation includes not punishing failure.

3. Encourage identification of value creation opportunities.**4. Involve the service providers in innovation activities focused on value added areas.**

→ Ensure regular meetings to discuss business issues, new technologies and so on. During the meetings, managers and specialists from both parties should share information on business events and current technology so that the client organization and its service providers can jointly examine each change or opportunity and decide on a course of action.

5. Identify candidate innovations to consider for deployment across the organization.

→ Sources of candidate innovations include internal research and development, published research, benchmarking against best practices, service provider offerings, or any developments in the market that may impact on the sourced service.

6. Analyze candidate innovations.

→ Major changes frequently involve piloting innovations on a limited basis and comparing the pilot results against capability baselines.

a) Analyze each candidate innovation based on cost, benefits, impacts, and risks.**b) Prioritize and select innovations for deployment based on their analyses and organizational objectives.****7. Create program plans for selected innovations.****a) Identify barriers to the adoption of candidate innovations.**

→ Barriers to innovation include the lack of a perceived advantage over existing technologies, tools, and processes; the complexity of the innovation, which can affect the learning curve; and compatibility with current technologies, tools, and processes, which can affect the deployment.

b) Identify innovation program objectives for each program.**c) Identify the tasks required to achieve program objectives.**

→ Examples of tasks used to support for adoption of innovations include briefings, training, user groups, and help desks.

d) Create estimates of the resources required for each program, including the effort and time frame required for each task.**e) Create schedules of milestones and progress reviews.****f) Determine the attributes of the program to be tracked.**

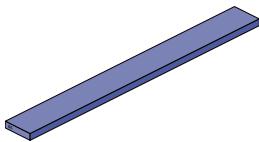
Innovation cont'd

- g) Select and document the method used for tracking the defined attributes.
 - h) Create a schedule of program tasks.
 - Program tasks should include the creation of an implementation approach for the program. Size and complexity of the program may impact the implementation approach (e.g., large programs may be implemented through a series of small releases).
 - i) Document personnel assignments in the program plans.
 - j) Review the program plans with relevant stakeholders.
 - The program plans should be reviewed for correctness, clarity, and adequacy. Input on, and approval of, the program plans should be sought from the relevant stakeholders.
8. Implement innovation programs according to the program plans.
9. Track performance against the program plans, according to the defined tracking methods.
- a) Determine actions to take when performance deviates from the program plan.
 - b) Determine actions to take when an innovation program is not meeting its program objectives.
 - There will typically be a learning curve associated with adopting an innovation, with an associated decrease in performance until the innovation is assimilated. The learning curve should be separated from the steady state performance after adoption is complete to distinguish between successful and unsuccessful innovations. An innovation that performs well with innovators may not fare as well when deployed to the larger community of users. Ultimately, innovations should result in a change in the capability baseline for the affected process.
 - c) Take actions and track them to closure.
10. Verify that innovative ideas raised are analyzed and deployed in the organization, as appropriate.

c. Support the implementation of programs to encourage and deploy innovations in sourcing relationships and sourced services across the organization.

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val06



Value Management

Ongoing

Level 4

Other

Business Value & Impact

Analyze the business value and impact of organizational sourcing performance.

This Practice is focused on evaluating the client organization's sourcing capability, and its contribution to business value and impacts. These analyses build on the analyses of sourcing performance in Sourced Services Management and in Value Management Capability Areas. Where those analyses focused narrowly on process performance, analyses of the effect on business value and impact expand this focus to examine business value in terms of relevant measures for the client organization. These measures may include cost or service level / quality key performance indicators, sourcing process performance measures, and measures of business value and impact. These analyses allow management to review sourcing performance across the organization and to determine if corrective actions or changes to sourcing objectives, sourcing strategy, or sourcing processes and procedures are required to achieve the organization's sourcing or business objectives. These analyses will address organizational sourcing performance, irrespective of whether the contributors to that performance arise from the client organization's sourcing activities or the performance of the sourced services and their service providers.

This Practice is related to mgt10, "Service value analysis," which examines the value contribution of a specific sourced service, and val07, "Sourcing alignment," which examines the alignment of sourcing activities and results with the client organization's business objectives and strategy.

Activities

- a. **Provide support for creating and maintaining the work products and tasks for analyzing the business value and impact of organizational sourcing performance.**
- b. **Document and implement the work products and tasks required for analyzing the business value and impact of organizational sourcing performance. Documentation and implementation include the following Activities:**
 1. Define methods for evaluating the business value and impact of organizational sourcing performance.
 - a) Define the analyses to be conducted.
 - b) Define the methods for using and communicating the results of the analyses.
 2. Determine measures for reviewing organizational sourcing performance and value.
 - a) Identify the drivers or critical factors that contribute to sourcing outcomes.
 - Drivers can be categorized as inputs, processes, outputs, or outcomes. Value is an outcome.
 - b) Determine the performance measures for these drivers.
 - The measurement method should define the frequency and granularity of data collection. It should ensure that the data collected are reliable, accurate, and valid.
 - c) Involve relevant stakeholders in determining the drivers and their performance measures.
 - d) Determine the analyses and indicators to be used to understand and make decisions about the business value and impact of the organization's sourcing portfolio.
 - Indicators provide an evaluation of data in relation to criteria that support decision making. The evaluation may be with respect to requirements, ranges of acceptable performance, stretch goals, expected performance based on historical data, or similar standards.
 - e) Select and document methods used for tracking the defined attributes.

3. Review the sourcing activities that are ongoing and have completed since the last review to determine the success of the sourcing and its contribution to the business.

→ This review may provide inputs to knw04, “Lessons learned.”

a) Identify the current and previous year portfolio of sourced services.

b) Collect data on sourcing activities.

→ This data is initially collected as a part of val01, “Organizational sourcing performance.” For efficient analyses, this may be limited to those key sourcing activities that affect achievement of business and strategic objectives for sourcing.

c) Define additional performance data required to support the analyses.

4. Analyze the performance of the sourced services.

a) Aggregate performance for each class in the portfolio.

→ Sourcing performance data may be aggregated by class to give a better picture of performance for services sharing these common characteristics.

b) Analyze the performance of each class in the portfolio.

→ The performance of sourced services should cover the organization’s sourcing capabilities as a whole, but may also be made of individual classes of sourced services. These may be established for classes of sourced services that share common characteristics.

c) Analyze benchmarks from similar clients.

→ Refer to val03, “Benchmark sourcing processes.”

5. Analyze the organization’s sourcing capability.

a) Aggregate performance for each class in the portfolio.

b) Analyze sourcing management performance.

→ Refer to val01, “Organizational sourcing performance,” and val02, “Capability baselines,” as well as Required Activity 1 above.

c) Analyze benchmarks from similar clients.

→ Refer to val03, “Benchmark sourcing processes.”

6. Perform analyses of the business value and impact of the organization’s sourcing portfolio.

→ Analyses techniques may include Balanced Score Card, Economic Value Add, or shareholder value analysis.

7. Identify corrective actions or improvement programs needed to address organizational value leakage.

→ See val04, “Improve sourcing processes.”

8. Make changes to the organization’s sourcing portfolio, as necessary, to improve the business value and impact of the organization’s sourcing activities.

a) Analyze whether the sourcing portfolio is aligned with risk tolerance and organizational objectives.

→ Refer to val07, “Sourcing alignment,” and thr02, “Organizational risk management.”

b) Analyze whether the sourcing portfolio is aligned with the sourcing strategy.

→ Refer to str05, “Organizational sourcing strategy,” regarding updating the sourcing strategy.

c) Revise the sourcing portfolio as key business conditions change.

→ Refer to gov07, “Adapt to business change.”

Business Value & Impact cont'd

d) Use lessons learned in sourcing decision making.

→ Refer to knw04, "Lessons learned."

9. Review results of business value analyses with senior management.

a) Obtain and communicate senior management support for the value management activities.

b) Senior management reviews sourcing activities, their business value and impact, and corrective actions on a periodic basis.

→ This senior management review should happen at least once a year, or more frequently as conditions warrant.

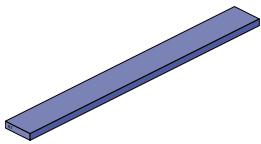
c) Involve relevant stakeholders in the implementation of corrective actions.

d) Communicate the results of business value analysis, corrective actions and their progress to relevant stakeholders.

c. Support the implementation of analyzing the business value and impact of organizational sourcing performance.

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val07



Value Management

Ongoing

Level 4

Other

Sourcing Alignment

Align the client organization's sourcing activities and results with its business objectives and strategy.

Enhance the alignment of sourcing results across the organization and with organizational performance and business objectives. These alignment activities build on the analyses of sourcing performance in Sourced Services Management and in Value Management Capability Areas. Where those analyses focused narrowly on process performance, analyses of performance alignment expand this focus to evaluate how the various components of sourcing performance fit together to achieve the organization's sourcing objectives, as well as the organization's business objectives and strategy. These analyses allow management to align sourcing performance across the entire organization and to use their sourcing activities strategically to achieve organizational business objectives.

This Practice is focused on ensuring that the results of the organization's sourcing activities support the achievement of the organization's business objectives and strategies. It is focused on ensuring alignment of the client organization's sourcing activities with its business objectives and strategies.

Activities

- a. **Provide support for creating and maintaining the work products and tasks for ensuring alignment of sourcing activities and results with business objectives and strategy.**
- b. **Document and implement the work products and tasks required for ensuring alignment of sourcing activities and results with business objectives and strategy. Documentation and implementation include the following Activities:**
 1. Define methods for evaluating the alignment of sourcing activities and results with business objectives and strategy.
 - a) Define the analyses to be conducted.
 - b) Define the methods for using and communicating the results of the analyses.
 2. Determine measures for reviewing the alignment of sourcing activities and results with business objectives and strategy.
 - a) Identify the drivers or critical factors that contribute to sourcing outcomes.
 - Drivers can be categorized as inputs, processes, outputs, or outcomes.
 - b) Determine the performance measures for these drivers.
 - The measurement method should define the frequency and granularity of data collection. It should ensure that the data collected are reliable, accurate, and valid.
 - c) Involve relevant stakeholders in determining the drivers and their performance measures.
 - d) Determine the analyses and indicators to be used to understand and make decisions about the alignment of sourcing activities and results with business objectives and strategy.
 - Indicators provide an evaluation of data in relation to criteria that support decision making. The evaluation may be with respect to requirements, ranges of acceptable performance, stretch goals, expected performance based on historical data, or similar standards.
 - e) Select and document methods used for tracking the defined attributes.

3. Review the sourcing activities that are ongoing and have completed since the last review to determine the success of the sourcing and its contribution to the business.

→ This review may provide inputs to knw04, “Lessons learned.”

a) Identify the current and previous year portfolio of sourced services.

b) Collect data on sourcing activities.

→ This data is initially collected as a part of val01, “Organizational sourcing performance.” For efficient analyses, this may be limited to those key sourcing activities that affect achievement of business and strategic objectives for sourcing.

c) Define additional performance data required to support the analyses.

4. Analyze the performance of the sourced services.

a) Aggregate performance for each class in the portfolio.

→ Sourcing performance data may be aggregated by class to give a better picture of performance for services sharing these common characteristics.

b) Analyze the performance of each class in the portfolio.

→ The performance of sourced services should cover the organization’s sourcing capabilities as a whole, but may also be made of individual classes of sourced services. These may be established for classes of sourced services that share common characteristics.

5. Determine causal linkages between drivers.

→ A causal linkage links two or more drivers or critical factors, so that one brings about or produces the other. While one driver may not necessarily be the sole cause of the other, they have a relationship in that one influences or causes a change in the other. An influence expresses knowledge about relevance; but it does not necessarily imply a causal relation.

a) Review business objectives and strategies.

→ The business strategies should be reviewed to ensure that assumptions about current business priorities are correct and that the key objectives are unchanged. If fundamental aspects of the business strategies have changed, the plans for ongoing sourcing management must be adjusted to reflect those changes.

b) Analyze the business results and business process cycles.

c) Review sourcing objectives of sourced services and activities.

→ Refer to str04, “Sourcing objectives” for practices regarding the organization’s sourcing objectives.

d) Identify causal linkages between the drivers, their performance measures, and the organization’s sourcing performance.

6. Identify the critical points of the business-sourcing linkage.

a) Analyze causal linkages between the drivers, their performance measures, and the organization’s sourcing performance.

b) Identify the critical points of the business-sourcing linkage that impact alignment between sourcing activities and the organizational objectives and strategies.

c) Identify gaps that affect alignment of sourcing activities with business and strategic objectives.

d) Identify those linkages where the performance is misaligned.

→ Sourcing activities should align with, and support, strategic business objectives. When they do not, a misalignment has occurred and should be corrected.

Sourcing Alignment cont'd

7. Analyze and prioritize gaps between current results and desired objectives.
 - a) Identify the root causes of misaligned sourcing performance using methods that involve relevant stakeholders.
 - b) Prioritize the root causes to aid in identifying corrective actions or improvement programs.
8. Identify the corrective actions or improvement programs to ensure alignment of sourcing activities and results with business objectives and strategy.
 - Identify the necessary corrective actions or improvement programs to re-engineering adjacent or dependent processes, as well as the sourcing processes. The client organization may radically change or reduce service requirements through continuous improvement or process engineering activities. It may determine that a service provider is no longer necessary, or that the scope of activities has been changed or reduced to the extent that internal sourcing is competitively viable, as well as identify incremental changes to improve efficiency and performance.
 - a) Analyze the prioritized root causes of misaligned sourcing performance using methods that involve relevant stakeholders.
 - b) Identify improvement areas requiring alignment of sourcing activities with business objectives and strategy.
 - The areas are typically identified based on an analysis of improvement opportunities or an identified need to develop or enhance capabilities within the organization. For example, the organization may receive feedback pointing out a needed organizational improvement. Improvement areas may also be identified based on benchmarking of organization performance. Examples of improvement opportunities include defining and improving organizational procedures, and standards.
 - c) Identify necessary changes to sourcing policy.
 - d) Identify necessary changes to sourcing strategy.
 - e) Identify necessary improvements to sourcing processes and procedures.
 - f) Identify necessary improvements to business process models.
 - g) Identify necessary changes to technology strategy or architecture.
 - h) Identify the skills to be improved or workforce competencies to be enhanced.
9. Identify and evaluate success criteria for each corrective action or improvement program.
 - a) Review linkages where the performance is misaligned.
 - b) Select relevant success criteria to be applied in tracking each corrective action or improvement program.
 - Success criteria may be related to the critical linkage or the performance which is misaligned.
 - c) Determine the performance measures for the relevant success criteria.
 - The measurement method should define the frequency and granularity of data collection. It should ensure that the data collected are reliable, accurate, and valid.
 - d) Involve relevant stakeholders in establishing performance measures.
 - e) Determine the analyses and indicators to be used to analyze and make decisions about evaluating success for each corrective action or improvement program.
 - Indicators provide an evaluation of data in relation to criteria that support decision making. The evaluation may be with respect to requirements, ranges of acceptable performance, stretch goals, expected performance based on historical data, or similar standards.
 - f) Select and document methods used for tracking the defined success criteria.

10. Sustain sourcing alignment.

- a) Obtain and communicate senior management support for the strategic alignment activities.
- b) Implement corrective actions or improvement programs.
 - Improvement actions relating to the organization's sourcing processes and process assets are implemented in val04, "Improve sourcing processes," and improvements to service delivery are implemented through mgt06, "Service delivery change management," or mgt07, "Service change management," as appropriate.
- c) Senior management reviews sourcing activities, their alignment, and corrective actions on a periodic basis.
 - This senior management review should happen at least once a year, or more frequently as conditions warrant.
- d) Involve relevant stakeholders in the implementation of corrective actions.
- e) Communicate the results of the sourcing alignment analysis, corrective actions and their progress to relevant stakeholders.

c. Support the implementation of ensuring alignment of sourcing activities and results with business objectives and strategy.

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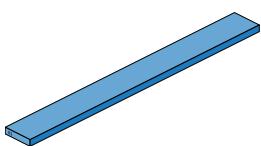
ocm

Organizational Change Management



The Organizational Change Management Practices focus on change management to support the client organization's adoption of new systems (organizational and technological) and new ways of achieving business objectives through sourcing. Ensuring readiness for change, and involving relevant sponsors and stakeholders are essential parts of this Capability Area. Planning for change, managing change activities, and communication regarding the changes are integral aspects of this Capability Area. All Organizational Change Management Practices are Ongoing. These Practices cover the following:

- Planning for change management: Preparing for change management activities to guide the client organization's adoption of the new systems (the organizational and technological changes), defining the proper strategy for managing change, developing a team of change management leaders, identifying and employing long term change management practices, and engaging employees and service providers.
- Defining the future state: Re-engineering the organization and business processes and workflows to fit the new structure.
- Communication: Developing and executing the communication strategies and plans, both internal and external, is very critical for the entire organizational change process.
- Managing the human aspects of change: Human resource strategies and plans ensure that all aspects of personnel-related change are addressed in the organizational transformation that may occur as sourcing occurs. These changes may include identifying key skill sets/personnel to retain in-house or transition to the service providers, reorganization and realignment of staff, strategic resources and training and education to support new roles and assignments.
- Managing organizational change: Managing ongoing change and overcoming resistance to change and implementing methodologies to ensure effective and successful overall management of the organizational change.

ocm01**Organizational Change Management**.....
Ongoing.....
Level 3.....
Other

Prepare for Organizational Change

Prepare for changes across the organization needed to support the client organization's sourcing actions.

Assess the client organization's readiness for change and determine the gaps that need to be closed to ensure a successful transition to a new service delivery model. A component of this readiness assessment is an understanding of the client organization's prior experiences with organizational change. The assessment results are a major input to determine the profile of a potential service provider. An assessment might evaluate people, process, technology, and risk.

Sourcing has significant change implications for an organization. For example, sourcing can lead to the redeployment of staff within the client organization and the transfer of staff to the service provider organization. A service provider's formal approaches to service delivery may necessitate changes in policies, cultural values, work procedures and processes, relationships between stakeholders, and interactions between end-users and service providers.

The demands associated with sourcing transcend organizational boundaries, and therefore the approach to managing the change process must ensure that complementary activities and behaviors are exhibited within and between all involved parties.

Activities

a. Provide support for creating and maintaining the work products and tasks for preparing for organizational change needed to support the client organization's sourcing actions.

b. Document and implement the work products and tasks required for preparing for organizational change needed to support the client organization's sourcing actions.

Documentation and implementation include the following Activities:

1. Identify a change owner for implementing organizational change.

→ The change owner or "change champion" should be fairly senior, should be well respected and enjoy credibility across the organization and should be conversant with the services and processes required for the organizational change implementation. The change owner manages the change process and has sufficient authority to address organizational, cultural, political, and personality barriers to change. The change owner ensures that the change process is focused on delivering the planned results and returning projected value to the organization, while guiding the organization through this period of change.

2. Assess readiness for organizational change.

→ The client should be ready to adopt new ways of working, where applicable. New ways of working must take into account the factors relating to the people, the processes and procedures they need to support their work, the technology and the requirements of end users.

a) Analyze the scope of the change and stakeholders involved.

→ Refer to ocm02, "Stakeholder involvement," regarding the identification of involved stakeholders.

b) Analyze prior organizational change efforts to inform the preparation for organizational change to support sourcing activities.

→ Perform an assessment of the organization's organizational change capability.

c) Analyze impact of change on organizational culture and employee morale.

d) Analyze impact of change on employees and the workforce.

e) Analyze impact of change on existing processes and capabilities.

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- f) Analyze impact of change on technology infrastructure.
 - g) Analyze impact of change on existing resources.
 - h) Analyze the risks and potential impacts of the change.
 - Refer to thr01, "Sourcing risk management," thr02, "Organizational risk management," and app04, "Impact & risk analysis," regarding these risk and impact analyses.
 - i) Analyze estimates of change acceptance by the employees and the organization.
 - Estimate acceptance of change by the employees and within classes of employees. Organizational acceptance is in terms of resources required and reaction of key stakeholders—customers, employees, government, etc.; as applicable.
 - j) Identify mechanisms to prepare the organization for the change.
 - Identify steps, resources, milestones, etc., needed to prepare for change implementation.

3. Establish and implement sponsorship for the sourcing-related organizational change.

- a) Identify the senior management leadership for sourcing.
 - Ensure support from the top for the business process changes and expenditure of resources needed for sourcing readiness. Senior management sponsorship and commitment is critical to ensure adoption of sourcing in the organization. The senior leadership consisting of CXO level executives should support and sponsor the sourcing as an organizational strategy. Refer to str01, "Sourcing sponsorship," regarding the establishment of this sponsorship.
- b) Provide resources for change implementation, as required.

4. Establish team for the sourcing-related organizational change.

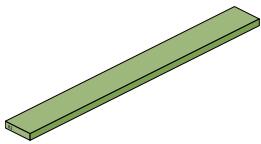
- a) Identify key people for leading and implementing the change.
 - Some people are likely to be more receptive to changes, and those who enjoy credibility and respect among peers and subordinates, are good candidates to be involved with change management.
- b) Assign a leader for the organizational change effort
 - This leader may be responsible for the overall transition activities, or may be specifically responsible for the organizational change components of transition.
- c) Assign identified personnel to the organizational change team.
- d) Define roles and responsibilities of the identified people.

5. Communicate organizational change readiness to relevant stakeholders.

c. Support the implementation of preparing for organizational change needed to support the client organization's sourcing activities.

ocm02

Stakeholder Involvement



Organizational Change Management

Ongoing

Level 2

Other

Identify and involve relevant stakeholders in sourcing activities.

To properly define sourcing activities, ensure their alignment with business goals, and establish appropriate roles and responsibilities within the defined governance mechanisms, it is necessary to identify key internal and external stakeholders who will participate in these sourcing activities. Some of these stakeholders will be executives in charge of lines of business or senior management responsible for business functions. Others might be end-users, sample users, or managers of key user departments, all of whom may participate in activities during the Sourcing Life-cycle. These stakeholders may help the client isolate those services that are most closely aligned with their business processes. They also may help fine tune the processes and ease transition to a potential new service delivery model, ultimately making business more efficient. Relevant stakeholders should have a vested interest in their involvement to help make the sourcing activity successful.

Activities

a. **Provide support for creating and maintaining the work products and tasks for identifying and involving relevant stakeholders in sourcing activities.**

b. **Document and implement the work products and tasks required for identifying and involving relevant stakeholders in sourcing activities. Documentation and implementation include the following Activities:**

1. Identify the components of the client organization that are involved in, or impacted by, the sourcing activity.

→ Refer to pln02, "Service definition," for the definition of the scope of the sourced service. This scope is essential for identifying the involved or impacted components of the organization.

2. Identify relevant stakeholders for the sourcing activity.

→ Stakeholders include external stakeholders—customers, government, potential service providers, etc., and internal stakeholders—employees. Stakeholders should be identified and it is essential to determine their interest and commitment, and to identify and resolve any conflicting objectives. These stakeholders may include:

- employees,
- trade unions or workers councils,
- end users,
- functional or business area representatives,
- business unit representatives
- human resources,
- accounting,
- finance,
- procurement,
- negotiations and contracting,
- contracts management,
- legal,
- audit,
- risk management,
- security and privacy,
- business unit/client management,
- corporate communications,
- public relations,
- environmental health and safety,
- process owners,
- CIO / IT representatives,
- real estate / facilities management,
- external, or outside, advisors or consultants,
- service providers,
- suppliers or partners to service providers.

a) Identify relevant internal stakeholders involved in the sourcing activity.

b) Identify relevant external stakeholders involved in the sourcing activity.

c) Identify relevant stakeholders affected by the organizational change management for the sourcing activity.

3. Classify the identified stakeholders.

- For example, while some employees will be executives in-charge of their lines of business, others may be managers and users.
- a) Classify stakeholders as primary or secondary.
 - Primary stakeholders are those that have influence over the sourcing objectives, and are affected by the sourcing implementation. Secondary stakeholders are mainly affected by the implementation of sourcing activities.
- b) Identify other relevant criteria for classifying identified stakeholders.
 - Examples of criteria can include location; involvement in sourcing; contractual, union, or labor law requirements.
- c) Classify identified stakeholders according to the defined criteria.

4. Identify impacts on identified stakeholders.

- a) Identify the activities that each class of stakeholders will be involved in.
 - For sourcing management, the tasks outlined in sourcing processes and procedures will provide the set of activities for each class of stakeholders. However, certain classes may be involved in other ways, and these should be considered as well.
- b) Identify how each class of stakeholders will be impacted by the sourcing activities.
 - Consider the risks and/or benefits to each stakeholder, resulting from implementing the sourcing objectives.

5. Create a plan for involvement of identified stakeholders.

- The plan should address all the classes of stakeholders. Based on the impacts, risks, and benefit identified for each class of stakeholder, and the plan implements an influencing strategy to keep the stakeholders engaged in the sourcing objectives. This ‘relationship building approach’ is fundamental to developing a sound sourcing objectives plan permeated with strong stakeholder focus. The development of close working relationship with stakeholders ensures support on critical decisions and approvals.
- a) Identify roles and responsibilities of stakeholders regarding their respective sourcing activities.
- b) Provide training for stakeholders to enable them to perform respective sourcing activities, as appropriate.
- c) Create a schedule of tasks.
- d) Create estimates of the resources required for ensuring involvement of relevant stakeholders.
- e) Select mechanisms for obtaining feedback from stakeholders regarding their involvement in respective sourcing activities.
 - At Capability Level 3, refer to mgt09, “Stakeholder feedback,” regarding guidelines for collecting stakeholder feedback regarding their sourcing activities.
- f) Determine attributes to track for involvement of stakeholders in sourcing activities.
- g) Obtain review and approval of the plan from relevant stakeholders.
- h) Communicate plan to relevant stakeholders.

6. Provide ongoing communication regarding sourcing actions to relevant stakeholders.

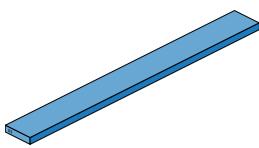
- The goal of this feedback is to ensure stakeholder awareness, understanding, and commitment.
- a) Openly communicate the sourcing strategy to stakeholders to mitigate political risks.
- b) Communicate status and progress of sourcing activities to relevant stakeholders.
- c) Communicate sourcing performance to relevant stakeholders.

Stakeholder Involvement cont'd

7. Track involvement of relevant stakeholders in sourcing activities.
 - a) Determine actions to take when the progress deviates from the plan.
 - b) Obtain feedback from relevant stakeholders on their involvement in sourcing activities.
 - c) Determine actions to take when feedback indicates that stakeholder involvement is not occurring according to the plan.
 - d) Take actions and track them to closure.
- c. Support the implementation of identifying and involving relevant stakeholders in sourcing activities.**

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ocm03



Organizational Change Management

Ongoing

Level 3

Other

Define Future State

Define the future organizational structure and process model.

As organizations move into sourcing activities, it is critical that the design of the future organizational structure and processes (or “To Be” state) be defined. This may be in terms of incremental steps defining transitional states or may be the steady state definition. The organizational structure and its process architecture must be defined in order to establish the business model that will be implemented and define end points for the transition activities that will occur as the organization reallocates processes or functions among existing and service provider units. It is also needed to define the organizational structures and processes needed to support the client organization’s sourcing actions. The process architecture will drive needs for future knowledge and skills, as well as provide requirements for future technology needs, at both the level of specific sourced services and across the organization.

This Practice documents the Future State of Operation (FSO) or “to be” state of the organization, its services and processes, and the organizational structure and roles within it. Failing to establish these future states does not adequately constrain the changes and transformations that the organization will undergo and may result in the organization losing effectiveness or process capability as it moves to unconstrained, ineffective solutions. Defining the end points of these transformations serves to bound the possible changes and outcomes that can occur.

This Practice builds on the current organizational structure and process model captured in opa01, “Define current state.”

Activities

a. **Provide support for creating and maintaining the work products and tasks for defining the future organizational structure and process model.**

b. **Document and implement the work products and tasks required for defining the future organizational structure and process model. Documentation and implementation include the following Activities:**

1. Identify the requirements for the organizational structure and process model to support sourcing.
 - Sources for requirements for the organizational structure and process model to support sourcing can include organizational and sourcing objectives, service definition, change management plan, and senior management guidance.
2. Define the current organizational structure and process model to support sourcing.
 - Refer to opa01, “Define current state,” regarding developing an understanding of the current organizational structure and process model for each sourcing action. This Practice addresses the requirements for the future or “To Be” organizational structure and process model to support each sourcing action, as well as those requirements of the client organization to support its sourcing activities.
3. Define the future organizational structure.
 - The organizational structure describes the functions, business units, dependencies among entities and units, and reporting relationships, within the organization.
4. Define the future process model.
 - a) Identify the services and processes.
 - b) Determine the performance measurements and standards for the services and processes.
 - c) Define high-level process model or process flows.

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- d) Determine inter-dependencies and linkages among the identified services and processes.
 - e) Identify the roles, responsibilities and authorities of personnel within this process model.

5. Document the future organizational structure and process model.

- a) Obtain review and approval on the future organizational structure and process model from relevant stakeholders.
- b) Communicate future organizational structure and process model to relevant stakeholders.
- c) Maintain the documented future organizational structure and process model.

6. Document processes, policies, and procedures needed to deploy and implement the sourced service.

- a) Identify applicable existing processes, policies, procedures, and guidelines, tailoring them to the needs of the sourced service, as appropriate.
- b) Identify new processes, policies, procedures, and guidelines needed to deploy and implement the sourced service.
- c) Verify that the processes, policies, procedures, and guidelines needed to deploy and implement the sourced service are consistent with the organization's business process strategy and architecture.
 - Refer to gov05, "Align strategy and architectures."
- d) Verify that the processes, policies, procedures, and guidelines needed to deploy and implement the sourced service are integrated with the organization's business processes.
 - Refer to gov06, "Business process integration."

7. Document the design for the infrastructure needed to support the future organizational structure and process model.

- a) Create the design for the physical environment.
 - The design of the physical environment creates the design for the work environment in the future organizational structure and process model.
- b) Identify the characteristics of the work environment that impact work effectiveness and the factors affecting personnel in the future organizational structure and process model.
 - Factors that affect personnel could include coordination and communications facilities for interacting with service providers, meeting rooms, teleconferencing or video-conferencing facilities.
- c) Identify the physical, social, and legal requirements of the work environment needed to support the organization's sourcing activities.
 - These requirements are identified from the service design, industry norms, statutory or regulatory requirements, client requirements, and feedback from personnel. The physical environment includes individual and public elements such as space, storage, air-conditioning, water, light, safety, rest rooms, and food. Public spaces include space for meetings, training, eating, and recreation. Feedback from personnel should be obtained on a regular basis to identify work environment issues that may affect job satisfaction and performance.
- d) Identify the cultural requirements of the work environment needed to support the organization's sourcing activities.
 - See rel05, "Cultural fit," for Practices relating to establishing a cultural fit and addressing cross-cultural issues that might affect the sourcing relationship or the sourced service.
- e) Create the design for the work environment.

Define Future State cont'd

- f) Create the design for the technology infrastructure.
 - Technology infrastructure design includes accounting for technology integration with service providers, and their suppliers and partners, as appropriate. The design should identify the technology required to deliver the service, and identify the sources of the required technology, as the required technology may exist within the client organization and need to be transferred to the service provider, or may need to be planned for in the service provider's deployment plans.

- g) Verify that the design for the technology infrastructure is consistent with the organization's technology strategy and architecture.

→ Refer to gov05, "Align strategy and architectures."

- 8. Document the staffing model and personnel structure for the sourced service within the future organizational structure and process model.

- a) Identify personnel required to manage the sourced service.

- b) Identify training required to manage the sourced service.

- c) Define teams required to manage the service.

- d) Identify other retained personnel.

- e) Identify training required for other retained personnel.

- f) Identify personnel to be transferred to the service providers.

- g) Identify knowledge management or knowledge transfer activities required to support the transition to the sourced service.

- h) Identify actions necessary to encourage valued employees to stay.

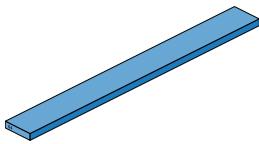
- i) Identify communications needs regarding the staffing model and personnel structure.

- j) Verify that the design for staffing model and personnel structure for the sourced service within the future organizational structure and process model is consistent with the organization's policies and procedures.

→ Specialized experts from human resources or legal may provide expertise in this planning or review.

c. Support the implementation of defining the future organizational structure and process model.

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ocm04**Organizational Change Management**

Ongoing

Level 3

Plan

Human Resource Changes**Establish and implement human resource strategies and plans to support the client organization's sourcing actions.**

Establishment of effective human resources strategies for effecting workforce transformation and communicating about these changes to the workforce is a necessary component of successful sourcing initiatives. The period of time surrounding sourcing and the changes that come with sourcing is one of great stress for an organization's workforce. Uncertainties about career prospects and trajectories and worries about future job security offer the possibility of many things going awry. The earlier that the client organization develops strategies and plans for dealing with staff career issues, transfer of human resources, outplacement processes, and employee separation issues, the more effective the results will be.

The purpose of a human resources strategy and plan is to address the workforce transformations that may occur as a result of sourcing activities. These could include transfer of personnel to service providers, reassignment, development and deployment of retained personnel, and, potentially, appropriate handling of, and options for, personnel affected by reductions in force. The strategy should include statements of guiding principles, objectives, an estimate of required resources, and an assessment of risks, legal requirements, and the impacts of sourcing on the workforce.

Management should develop effective action plans to deal with personnel issues during its sourcing activities. Such plans can eliminate some of the organizational stress that can lead to low morale, declining productivity, and unwanted litigation. Human Resource Plans ensure the effective management of human resource issues, which are critical success factors in the implementation of sourcing activities. The human resource should be considered and planned for from the outset to ensure that these issues are dealt with appropriately. Planning for human resources should cover each group of affected personnel, including (1) those retained staff who will remain with the company, (2) those transferred staff who will join the service provider's staff, and (3) those who may be laid off. Addressing the gaps opened by the loss of those personnel and personnel competencies supports the organization in maintaining the workforce competencies it needs for future activities. Human resource plans should address changes in organizational structure and staffing, career development issues for retained staff, outplacement options for those personnel not retained, and transfer of staff to the service providers.

This Practice is related to ocm05, "Communicate organizational changes," ocm06, "Organizational change," tfr04, "Personnel transferred out" and cmp04, "Personnel transfer from service provider."

Activities

a. Provide support for creating and maintaining the work products and tasks for establishing and implementing human resource strategies and plans to support the client organization's sourcing actions.

b. Document and implement the work products and tasks required for establishing and implementing human resource strategies and plans to support the client organization's sourcing actions. Documentation and implementation include the following Activities:

1. Analyze the implications and impact of sourcing objectives, sourcing strategy, and future state design on the organization's human resources.

- Understand organizational objectives and approach to sourcing, to develop effective human resource strategies and plans to support organization's sourcing activities. This human capital risk analysis is essential to understanding the possible human resources problems that may occur during sourcing.

-
- a) Analyze the impact on employee morale.
 - Different people and classes of employees will react differently to the sourcing initiative. Initially, the reactions are likely to be more emotional than rationale; and the organization needs to anticipate possible scenarios, and prepare appropriate strategies and plans to manage human resources.
 - b) Analyze the impact on human resources retention, training, transfer and termination.
 - Based on the sourcing objectives and strategy, as well as the services that may be impacted by sourcing; identify the resources that are likely to be retained, rebadged, trained, transferred and terminated to support organization's sourcing initiatives.
 - c) Identify the impact on current and planned competency profiles.
 - Analyze the workforce and personnel competencies required against the existing competencies to identify any competency gaps that have to be addressed to successfully implement the sourcing actions.
 - d) Identify methods to achieve desired involvement of personnel in sourcing activities, to enable buy-in for sourcing initiatives and activities.

2. Create human resources strategies for supporting sourcing actions.

- a) Define the objectives of the human resources strategies.
 - These strategies typically have specific goals relating to both the sourcing action and the organization. They may include maintaining employee morale, ensuring employee buy-in, retaining critical personnel, or treating all employees with dignity throughout the transition.
- b) Ensure that the human resources strategies are consistent with the client organization's policies and procedures.
- c) Ensure that the human resources strategies are consistent with the applicable statutes and regulations.
- d) Identify the implementation requirements for the human resources strategies.
 - These can include resources, approaches, methods, processes, and effectiveness tracking.
- e) Obtain review and approval from relevant stakeholders on the proposed human resource strategies.

3. Create plans for human resources to support sourcing actions and sourcing activities.

- The human resources plans address the human resource-related implementation aspects of the proposed strategies. These plans may be integrated with, or coordinated with, organizational change management plans. Refer to ocm06, "Organizational change."
- a) Identify mechanisms to ensure appropriate participation and buy-in from employees.
 - Mechanisms may include decisions on employee retention, benefits for employees who may transferred to service providers, rebadging, training, enabling employees to find suitable employment, and targeted and sustained communication.
- b) Identify approaches, methods and processes for operationalizing the human resource strategies.
- c) Plan appropriate human resource actions for those personnel to be transferred with the service, as appropriate.
- d) Plan appropriate human resource actions for those personnel to be retained in managing and interacting with the sourced service, as appropriate.
- e) Plan appropriate human resource actions for those personnel being retained, but transferred into new assignments, as appropriate.
- f) Plan appropriate human resource actions for those personnel not being retained, as appropriate.

Human Resource Changes cont'd

g) Ensure that the human resources plans are consistent with the client organization's policies and procedures.

h) Ensure that the human resources plans are consistent with the applicable statutes and regulations.

i) Create a schedule of human resources tasks.

j) Create estimates of the resources required to implement these human resources tasks.

k) Identify the communication framework and requirements required to implement these human resources tasks.

l) Determine attributes and mechanisms to track implementation of the human resources plan.

m) Obtain review and approval on the human resources plans from relevant stakeholders.

→ Senior management approval ensures sponsorship and provides required resources.

4. Implement human resource strategies and plans.

a) Communicate human resource strategies and plans to relevant stakeholders.

b) Implement necessary staffing actions.

→ Staffing actions could include retention, reassignment, rebadging, transfer to service providers, or termination.

5. Support the transition of retained staff.

a) Communicate to retained employees regarding the sourcing objectives, human resources strategies and plans, and how they fit in the future state.

b) Provide internal transfer or reassignments, based on personnel competencies and organizational needs, as appropriate.

→ The client organization may choose to recapture some personnel to ensure continuity of service or ensure the availability of specialized expertise.

c) Transition retained staff into their new positions.

6. Support the transition of other personnel.

a) As appropriate, offer incentives to achieve a successful transition.

b) Where appropriate, assist employees in locating internal transfer or reassignments.

c) Establish outplacement services for personnel who are not transferred, as appropriate.

→ The need for outplacement services is typically specified in the agreement. The client may take responsibility for personnel not transferred or may require the service provider to take that responsibility.

d) Any release or termination of personnel is handled according to the organization's policies and procedures.

7. Track progress and status of implementation of human resources strategies and plans.

a) Determine actions to take when the progress deviates from the plan.

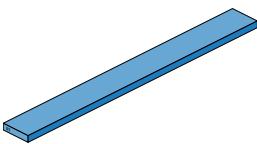
b) Determine actions to take when feedback from stakeholders and employees indicates that implementation is deviating from the identified strategies and plans.

c) Take actions and track them to closure.

8. Periodically review and update human resource strategies and plans.

- The strategies and plans may need to be modified based on organizational requirements, sourcing objectives and strategy, change management plan, and feedback from stakeholders and employees on effectiveness.

c. Support the implementation of establishing and implementing human resource strategies and plans to support the client organization's sourcing actions.

ocm05**Organizational Change Management**.....
Ongoing.....
Level 3.....
Plan

Communicate Organizational Changes

Establish and implement communications strategies and plans to support the client organization's sourcing actions.

Establishment of an effective communication strategy for policies and procedures is a useful tool for the communication of the sourcing initiative. The purpose of a communication strategy and plan is to reduce fear, gain acceptance of the sourcing plan, and share expectations. Communications plans should include statements of guiding principles, objectives, audience and message definitions, an estimate of required resources, and a risk assessment.

Management should define and explain the compelling need for a potential sourcing action. The compelling need may involve such factors as: changes in external customer needs and demographics, competitive pressures, technology, financial performance and structures, and regulatory changes, as well as other factors specific to the business itself.

The business justification of a potential sourcing action should be communicated clearly and early in the effort. The client should consider utilizing its existing change management approaches to address potential internal resistance. Frequent two-way communication can help overcome hurdles and build commitment to a new way of working.

Based on the communications strategy, a communications plan ensures communicating the right message to the right audience at the appropriate time, and delivering consistent messages across the entire organization. A good communications plan can facilitate a smooth transition to the new service delivery model and support productivity. Organizations that pay attention to communications build trust and commitment with their employees and other stakeholders.

This Practice is also related to ocm06, "Organizational change."

Activities

a. Provide support for creating and maintaining the work products and tasks for establishing and implementing communications strategies and plans to support the client organization's sourcing actions.

b. Document and implement the work products and tasks required for establishing and implementing communications strategies and plans to support the client organization's sourcing actions. Documentation and implementation include the following Activities:

1. Identify communication needs based on the future state design and the human resource strategies and plans.

→ Understanding of these plans and strategies is necessary to develop effective communication strategies and plans to support organization's sourcing activities. Communications should ensure that the reasons for sourcing, the objectives of sourcing, and the planned approach to sourcing are understood by all relevant stakeholders. Refer to ocm03, "Define future state," and ocm04, "Human resource changes," regarding the planned future state design and the human resource strategies and plans.

2. Create communications strategies for supporting the identified communication needs.

a) Review stakeholder identification and classifications.

→ Refer to ocm02, "Stakeholder involvement," for this stakeholder analysis.

b) Identify potential audiences within the stakeholder classifications.

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- c) Identify audiences for external and internal communication.
 - Different stakeholders and classes of stakeholders will react differently to the sourcing initiative. The organization needs to anticipate possible scenarios, and define appropriate strategies and plans for communication to each group of stakeholders.
 - d) Identify possible questions and concerns of each audience.
 - e) Identify messages to be communicated to each audience.
 - Messages can include the organization's sourcing strategy, reasons for sourcing, functions or services being sourced, characteristics of service providers and the relationship planned with service providers, planned human resource changes, other planned changes, and the timing and duration of the transition.
 - f) Identify communications methods and media for each audience and message.
 - g) Identify mechanisms for communicating the messages for each audience.
 - Mechanisms can include key people who will serve as communicators. While senior management involvement in communication cannot be emphasized enough, people who enjoy credibility and respect among peers and subordinates must also be involved with communication related to the changes.
 - h) Identify the content of each communication.
 - i) Decide the appropriate frequency of communication.
 - Sustained communication to convey and continually reinforce the desired message is vital to gain support for sourcing initiative and activities. If the sourcing effort is spread over several months, it may be appropriate to release regular status information to stakeholders.
 - j) Obtain review and approval from relevant stakeholders of the proposed communication strategies.
3. Create communication plans to support the approved communications strategies.
- Communications plans address the implementation aspects of the proposed communications strategies. Often, in sourcing, they should be implemented early, to ensure that all understand the plans and processes to be implemented in transitioning to new ways of working.
 - a) Define objectives for communication.
 - b) Define communication messages for each audience.
 - c) Identify preferred communication methods and media for each audience.
 - d) Identify the roles and responsibilities of people who will be involved with these communications across the organization.
 - e) Create a schedule of communications and related tasks.
 - f) Create estimates of the resources required.
 - g) Determine attributes and mechanisms to track implementation of the plan.
 - h) Identify appropriate methods of collecting feedback from targeted audiences.
4. Document the communication plans to support sourcing actions and activities.
- a) Obtain review and approval of communications plans from relevant stakeholders.
 - Senior management approval ensures sponsorship and provides required resources.
 - b) Communicate communications strategies and plans to relevant stakeholders.

Communicate Organizational Changes cont'd

- c) Maintain communications strategies and plans.
 - The strategies and plans may need to be modified based on organizational requirements, sourcing objectives and strategy, change management plan, and feedback from stakeholders and employees on effectiveness.

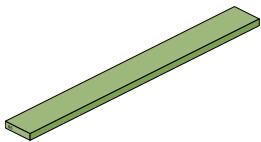
5. Communicate the planned messages to the target audiences, according to the communications strategies and plans.

6. Track progress and status of implementation of communication strategies and plans.

- a) Determine actions to take when the progress deviates from the plan.
- b) Determine actions to take when feedback from stakeholders and employees indicates that implementation is deviating from the identified strategies and plans.
- c) Take actions and track them to closure.

c. Support the implementation of establishing and implementing communications strategies and plans to support the client organization's sourcing actions.

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ocm06**Organizational Change Management**.....
Ongoing.....
Level 2.....
Other

Organizational Change

Manage organizational change to support sourcing actions.

The new service delivery model that sourcing brings to an organization impacts all stakeholders—employees, users, and support groups. Many employees will be concerned about the implication of this change to their jobs and their futures. For some employees, a clear understanding of the required changes and their rationale will foster immediate buy-in and support. Other employees will express their concern by asking questions, challenging rationales, and finding holes in the implementation plan and process. And still other employees may resist the change by either avoiding involvement or causing real or potential disruption.

Properly incorporating a change management program as an integral part of the sourcing activities to help manage fears and emotions will help to bring about cultural adaptation, address employee resistance and facilitate participation from across the organization. Change management captures the impact of sourcing on various human or “soft” dimensions of the organization throughout a sourcing engagement and then enables addressing these issues. Effective management of change, especially in human resources and knowledge transfer, can facilitate a smooth transfer of skills and knowledge.

Activities

- a. **Provide support for creating and maintaining the work products and tasks for managing organizational change to support sourcing actions.**
- b. **Document and implement the work products and tasks required for managing organizational change to support sourcing actions. Documentation and implementation include the following Activities:**
 1. Analyze organizational change readiness based on identified risks.
 - Refer to thr01, “Sourcing risk management.”
 2. Identify methods, procedures, and approaches for managing organizational change.
 - a) Address human resource changes.
 - This includes personnel changes to implement the new staffing plan, as well as any training required.
 - b) Address communication needs.
 - c) Address any organizational restructuring needed to support the sourcing initiative and activities.
 - This includes restructuring of functions and business units, as well as sourcing management functions.
 - d) Identify procedures to manage sourcing activities.
 - e) Address changes to the physical environment and technology infrastructure.
 3. Create a change management plan for implementing organizational change, based on organizational change readiness.
 - a) Identify roles and responsibilities of people involved with managing organizational change.
 - b) Identify mechanisms to ensure buy-in from employees and other stakeholders for organizational change.
 - Mechanisms may include decisions on employee retention, benefits for employees who may transfer to service providers, rebranding, training, enabling employees to find suitable employment, processes to ensure financial and operational controls, or procedures for ensuring data security and privacy.

-
- c) Identify steps for change implementation, for each class of stakeholders.
 - d) Create a schedule of tasks.
 - e) Create estimates of the resources required for change.
 - f) Create communications needed for the organizational change.
 - g) Determine attributes and mechanisms to track implementation of the plan.
 - h) Obtain review and approval of the organizational change management plan from senior management and relevant stakeholders.
 - i) Ensure senior management-level ownership of the organizational change management plan.
 - The Plan should address the roles and responsibilities of senior management.

4. Communicate organizational change management plan to relevant stakeholders.

5. Implement the methods, procedures, and approaches for managing organizational change, based on the organizational change management plan.

6. Provide required resources for organizational change management.

7. Provide training to internal stakeholders, as required by the organizational change management plan.

- a) Identify the type, content, and format of training to be delivered to internal stakeholders.
 - Training may be classroom-based; self taught with supporting course materials, including electronic materials; or web-based.
- b) Obtain acceptance from internal stakeholders about the identified training.
- c) Communicate the availability and conditions of training to internal stakeholders.
- d) Provide planned training to internal stakeholders.

8. Track progress and status of implementation of organizational change management plan.

- a) Determine actions to take when the progress deviates from the plan.
- b) Determine actions to take when performance reports and feedback from the relevant stakeholders indicates that implementation is deviating from the plan.
- c) Take actions and track them to closure.

9. Maintain organizational change management plan.

- The plan may need to be modified based on progress, acceptance of organizational change, organizational requirements, market conditions, organizational constraints, or external constraints.

c. Support the implementation of managing organizational change to support sourcing actions.

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People Management

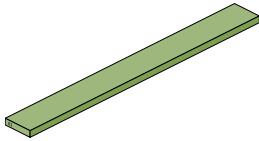


The People Management Practices focus on providing and managing skilled resources and the necessary environment for the organization's sourcing activities. They also deal with training that enables sourcing activities to be effectively performed. All People Management Practices are Ongoing. These Practices cover the following:

- Well-understood sourcing roles: Clearly defining and communicating sourcing roles and responsibilities to personnel.
- Developing sourcing competencies: Identifying workforce and personnel competency needs, and developing (i.e., training) or acquiring personnel with the necessary competencies to perform the organization's sourcing activities.

The focus of People Management is on the personnel directly involved in performing and carrying out the organization's sourcing activities. Retained and transferred personnel are addressed in the human resource focus of the Organizational Change Management Capability Area.

ppl01



People Management

Ongoing

Level 2

Other

Assign Sourcing Responsibilities

Assign roles and responsibilities to sourcing personnel based on appropriate personnel competencies.

Understand personnel competencies and use them as a basis for role assignments, in order to help ensure that qualified personnel are assigned the appropriate sourcing roles. Having qualified personnel helps to ensure that work can be performed as assigned, which leads to meeting and exceeding the client's sourcing expectations. Personnel competency is the combination of knowledge, skills, and process abilities that specific personnel in the client organization possess.

This Practice is related to ppl02, "Personnel competencies," which focuses on providing training to meet personnel competency needs that were identified while assigning roles and responsibilities in this Practice.

Activities

a. Provide support for creating and maintaining the work products and tasks for assigning roles and responsibilities to sourcing personnel based on appropriate personnel competencies.

b. Document and implement the work products and tasks required for assigning roles and responsibilities to sourcing personnel based on appropriate personnel competencies.

Documentation and implementation include the following Activities:

1. Define the roles, responsibilities, and authority needed to meet client and organizational requirements.

- Management should ensure that all personnel in the organization have and know their roles and responsibilities in relation to sourcing. All personnel should have sufficient authority to perform the role and responsibility assigned to them. Roles should be designed with consideration to appropriate segregation of duties.

- Clearly defined roles and responsibilities for sourcing personnel may include the requirement to adhere to management policies and procedures, applicable code of ethics, and professional practices.

2. Identify the personnel competencies required to perform the defined roles.

- A role is analyzed for required competencies by identifying the specific tasks to be performed, the proposed reporting structure, the delegation of authority, and decisions to be made. Specific tasks are identified based on client requirements, feedback, and previous experiences. Competencies of assigned personnel are defined through structured evaluations, performance reviews, on-the-job evaluations, work experience, and prior training or education.

3. Identify gaps in personnel competencies.

- Personnel competencies, and associated gaps, are typically documented in personnel competency inventory records. These records include a list of personnel and their competencies. Refer to ppl02, "Personnel competencies," for addressing these gaps.

4. Identify criteria for selecting personnel.

- Selection criteria are defined from:

- the tasks, job characteristics, and work conditions of the position,
- characteristics of individuals who are capable of performing the work responsibilities of the position,
- personnel competencies of individuals who are capable of performing the work responsibilities of the position,
- other skill needs of the client organization, and
- other staffing objectives of the client organization.

- For example, one criteria for staffing may be to favor individuals who are viewed as strong internal consultants and change agents, and are often sought for other positions.

5. Identify the primary sources for obtaining personnel with the requisite competencies.

- Acquisition of personnel can be accomplished by reassigning internal personnel, hiring from an external source, or sourcing by making use of a contract employee or a third-party consultant.

6. Obtain personnel with requisite competencies from external sources, as appropriate.

- If not available internally, hire or use 3rd party (e.g. advisors, lawyers, or specialists in relevant technologies or the service domain).

7. Assign personnel to the defined roles based on personnel competencies.

- There should be a commitment to key roles and responsibilities for each sourced service. The individuals assigned key roles should have the required abilities to carry out their responsibilities and appropriate training. It is critical that the client organization assign individuals who have a high probability of successfully performing their jobs to sourcing-related responsibilities.

a) Assign a dedicated sourcing executive the responsibility of supervising the sourcing relationship for each sourced service.

b) Assign the sourcing management team for each sourced service.

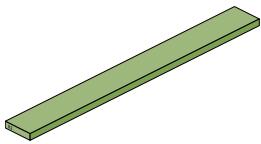
c) Establish the core group of people who will be involved in across phases of sourcing a sourced service.

- Refer to pln01, "Establish sourcing project," for practices relating to the establishment and staffing of the sourcing project for each sourced service.

c. Support the implementation of assigning roles and responsibilities to sourcing personnel based on appropriate personnel competencies.

ppl02

Personnel Competencies



People Management

Ongoing

Level 2

Other

Develop personnel competencies needed by individuals with sourcing responsibilities to perform their assignments.

Address personnel competency gaps in order to enable personnel to effectively perform their roles and responsibilities. Effective training helps to ensure that personnel can perform their assigned roles and responsibilities. Training requirements must be identified to satisfy the needs of both the sourcing engagement and the client's sourcing objectives.

Personnel competency is the combination of skills, knowledge, and experience that specific personnel in the organization possess.

This Practice focuses on providing training to meet personnel competency needs identified while assigning roles and responsibilities for individuals with assigned sourcing-related responsibilities. (See also ppl01, "Assign sourcing responsibilities"). Training and development necessary to work in a sourced environment for individuals in other roles, including retained personnel not engaged in sourcing, end-users, or other internal staff are addressed in Practice ocm04, "Human resource changes".

Activities

- a. Provide support for creating and maintaining the work products and tasks for developing personnel competencies needed by individuals with sourcing responsibilities to perform their assignments.**
- b. Document and implement the work products and tasks required for developing personnel competencies needed by individuals with sourcing responsibilities to perform their assignments. Documentation and implementation include the following Activities:**

1. Identify personnel to train, using identified gaps in personnel competencies.
 - This Practice is focused on ensuring that individuals with assigned sourcing-related responsibilities have the necessary personnel competencies to perform their assignments and to address any identified gaps, or training needs, by providing appropriate training. In order for the team to operate effectively, each member needs to have a sound grounding in sourcing concepts and needs to understand the sourcing process.
 - The organization must have established clear, written definitions of the minimum skills and knowledge required for individuals with assigned sourcing-related responsibilities. These minimum skills and knowledge requirements will be incorporated into a workforce competency focused on sourcing at Capability Level 3 in Practice ppl03, "Organizational sourcing competency," and used in defining process-based roles for individuals with assigned sourcing-related responsibilities in Practice ppl04, "Define roles."
2. Identify training requirements, based on identified gaps.
 - Training requirements should include training on the organization's policies, procedures, roles and responsibilities; as well as organization's sourcing needs and sourcing processes. For personnel who directly interact with the internal clients or the service provider, training requirements typically include familiarity with the organization's business, sourced services, relationship management, service management, conflict resolution, performance management, gathering client requirements, and listening skills.
3. Create or obtain training based on the identified requirements.
 - Training may include classroom coaching, simulation, on-the-job training, and group exercises. Training may involve pursuing formal certification in specific skills (e.g., project management) for some personnel, based on client and organizational requirements.

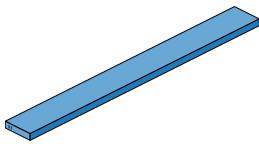
4. Identify and provide resources for required training, including trainers and facilities, as appropriate.

5. Provide training, as appropriate.

6. Maintain records of training provided, trainers, and trainees.

c. Support the implementation of developing personnel competencies needed by individuals with sourcing responsibilities to perform their assignments.

ppl03



People Management

Ongoing

Level 3

Other

Organizational Sourcing Competency

Define and manage a workforce competency focused on sourcing across the organization.

For an organization to perform sourcing as a fundamental business process, it must develop a workforce competency in analyzing, planning, managing, and evaluating sourcing activities. Failure to address the knowledge, skill and competency needs of those involved in sourcing and governance activities exposes the organization to risks that could be prevented by having a knowledgeable and competent sourcing workforce.

Prahalad and Hamel [Prahalad 1990] describe an organization's core competence as the combination of technology and production skills that create its products and services and provide its competitive advantage in the marketplace. Achieving and sustaining a core competence requires assembling a workforce comprised of people with different types of knowledge, skill, and abilities to follow processes. Each of these different sets of knowledge, skills, and process abilities constitute a workforce competency. The range of workforce competencies needed by an organization is determined by the range of business activities that collectively constitute or support the organization's core competencies [Curtis 2001].

This Practice addresses the development and management of a workforce competency, or set of personnel competencies that the organization has or needs in order to meet organizational objectives, to support its sourcing activities, and the actions that the client organization takes to sustain this workforce competency. This practice deals with ensuring that the work environment supports sourcing activities; career development options exist for sourcing personnel; sourcing awareness, training, and education programs are managed; and that a workforce competency in sourcing is developed and supported in the organization.

In many cases, the organization's existing human resources and training processes should be applied or adjusted for use in sourcing activities. For example, in providing performance feedback and rewards relating to sourcing activities, it is important that the organization's approach for evaluating individual and team performance should support and must not work at cross purposes with the organization's various sourcing objectives. However, these practices should be an extension of the human resources practices already in place in the organization.

Activities

a. Provide support for creating and maintaining the work products and tasks for defining and managing a workforce competency focused on sourcing across the organization.

b. Document and implement the work products and tasks required for defining and managing a workforce competency focused on sourcing across the organization. Documentation and implementation include the following Activities:

1. Identify the workforce competencies related to sourcing that the organization requires.

→ The organization must provide the training and development to ensure that all personnel in positions performing sourcing-related activities acquire and maintain the skills and knowledge required for their positions.

a) Identify the sourcing competencies required.

→ Identify the competencies needed in each phase of the Sourcing Life-Cycle. There are a number of skill sets required and many of these will flow from one phase to another.

-
- b) Define future workforce competency needs related to sourcing based on organizational and sourcing objectives.
 - Examples of workforce competency needs include technical, managerial, communication, negotiation, and leadership skills. Leadership skills are often fundamental to the organization's ability to meet long-term objectives; leadership needs are critical to understand when identifying future workforce competency needs.
 - c) Obtain input on future workforce competency needs from the relevant stakeholders.

2. Identify existing personnel and workforce competencies.

- a) Identify sources and classes of information about personnel competencies.
 - This Activity includes identifying personnel, personnel skills, personnel experience, and relevant knowledge held by personnel.
- b) Collect and document information on competencies in a personnel competency inventory.
 - Personnel competencies are identified and tracked in a personnel competency inventory. Existing workforce competencies are identified by aggregating the set of personnel competencies. For instance, the organization may have nine people who each have a personnel competency in project management. The organization then has a workforce competency in project management, and has identified nine people who contribute toward that workforce competency.
- c) Identify existing workforce competencies based on aggregate of personnel competencies.

3. Identify and analyze gaps between existing workforce competencies and future workforce competency needs.

- The workforce competency analysis should be modified as organizational needs change. Changes in required competencies can occur due to changes in services, technology, the organization's market strategy, client expectations, and competition. The analysis should produce a list of current competencies, a list of required competencies, and a prioritized list of required competencies.

4. Establish and maintain workforce competencies to support the organization's sourcing activities.

- These competencies could be in specific focused areas, such as relationship management and service management, or there could be a single workforce competency for sourcing created, or these competency needs could be addressed as part of an existing workforce competency in the organization.

 - a) Analyze each of the organization's sourcing-related workforce competencies to identify the knowledge, skills, and process abilities that compose it.
 - b) Document a description of the knowledge, skills, and process abilities for each of the organization's sourcing-related workforce competencies.
 - c) Use descriptions of workforce competencies in guiding activities and decisions relating to the sourcing workforce of the organization.

5. Maintain information on personnel and workforce competencies.

- a) Collect and maintain competency information regarding the personnel competencies and capabilities of individuals in workforce competencies related to sourcing.
- b) Maintain current resource profiles for each of the organization's sourcing-related workforce competencies.

Organizational Sourcing Competency cont'd

6. Create a competency development plan to develop workforce competencies related to the organization's sourcing activities.
 - A competency development plan identifies the current and future needs of a workforce competency. It provides, at a minimum, current and planned profiles of staffing within the workforce competency, measurable objectives for developing capability in the workforce competency, plans and resources for meeting these objectives.
 - a) Identify actions needed to develop workforce competencies.
 - Actions to develop the competency could include transferring, hiring, sourcing, training, staff augmentation using third party expertise.
 - b) Identify training objectives and desired outcomes based on personnel and workforce competency needs and organizational sourcing objectives.
 - c) Create competency development plans to support career development, sourcing-specific training needs, or organizational training needs.
 - Career development training can include personal development (e.g., presentation or meeting skills), job-oriented development (e.g., technical or supervisory skills), and leadership development (e.g., engagement management or strategy creation). Engagement- or service-specific training will include any training necessary to meet requirements (e.g., orientation, culture, or business). Organizational training can include the development of skills needed to meet objectives, as well as the organization's policies, procedures, and functions.
 - d) Review the plan with relevant stakeholders.
 - e) Obtain review and approval from the relevant stakeholders.
 - f) Communicate the plan to the relevant stakeholders.
 - g) Track status and progress against the plan.
 - h) Determine actions to take when progress deviates from the plan, and track these actions to closure.
 - i) Analyze the effectiveness of actions taken to develop workforce competencies.
7. Ensure that the organization's career paths and career model include workforce competencies to support the organization's sourcing activities.
 - a) Develop career paths for sourcing personnel.
 - Develop meaningful career paths for subject matter experts, project managers, governance experts, and technical experts to help ensure quality and assist in retention of these critical assets.
 - b) Provide career development opportunities to sourcing personnel.
 - c) Ensure that the organization's staffing activities and succession planning address sourcing personnel.
 - Management should establish succession plans for all key functions and positions.
 - d) Provide sufficient cross-training or back-up of identified key sourcing personnel to address unavailabilities or potential personnel shortfalls.
8. Provide expertise to sourcing awareness, training, and education programs.
 - Ensure all persons involved in any sourcing activity, including management activities, have the appropriate training, technical knowledge, experience, and qualifications relevant to the specific duties they have to perform. Sourcing personnel can serve as knowledgeable subject-matter experts regarding sourcing.

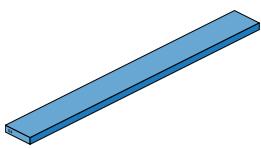
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- a) Identify appropriate training, technical knowledge, experience, and qualifications in relation to the sourcing needs of the organization.
 - b) Identify needed improvements in sourcing skill and knowledge throughout the organization using the projects' needs, organizational strategic plan, and existing employee skills as guidance.
 - c) Provide sourcing-related guidance to the organization to enable informed decisions about sourcing choices.

c. Support the implementation of defining and managing a workforce competency focused on sourcing across the organization.

ppl04



Define Roles



People Management

Ongoing

Level 3

Other

Define and communicate the roles and responsibilities of sourcing personnel across the organization.

Clearly define the roles, responsibilities, and authority of sourcing personnel, as part of the overall sourcing process, in order to enable them to effectively perform their assigned work. Aligning sourcing personnel's roles, responsibilities, and authority with client organizational objectives should result in improved performance. Periodically reviewing these roles, responsibilities, and authority helps to verify the effectiveness of personnel's roles and their assignments. Also, clearly defining the primary and secondary responsibilities helps to ensure that important functions and tasks in the organization are covered.

This Practice builds upon the roles and responsibilities that are initially defined in ppl01, "Assign sourcing responsibilities." The focus of ppl01 is on assigning qualified personnel to identified roles in order to effectively manage the client organization's sourcing activities. The focus of this Practice broadens this to align roles and responsibilities not only with the requirements of the sourced service, but also with long-term organizational objectives. This ensures that not only are qualified personnel assigned to roles, but that the defined roles are the ones the organization needs in order to meet its objectives and perform its defined sourcing processes.

Activities

a. Provide support for creating and maintaining the work products and tasks for defining and communicating the roles and responsibilities of sourcing personnel across the organization.

**b. Document and implement the work products and tasks required for defining and communicating the roles and responsibilities of sourcing personnel across the organization.
Documentation and implementation include the following Activities:**

1. Document the functions required to support the organization's sourcing activities.

→ Organizational, sourcing, and service-specific objectives should be used as the basis for deciding which functions and tasks need to exist in the organization.

a) Analyze the organization's documented sourcing processes to identify sourcing functions.

→ Refer to gov04, "Defined sourcing processes," regarding the establishment of the organization's documented sourcing processes.

b) Analyze the future organizational structure and process model to determine future sourcing functions.

c) Document the identified sourcing functions.

2. Document the roles, responsibilities, and authority of sourcing personnel.

a) Identify unambiguous roles and responsibilities for the client organization's sourcing management personnel, and related internal clients and end users.

→ This is a component of defining the relationships within the organization. Management should implement a division of roles and responsibilities which should exclude the possibility for a single individual to subvert a critical process. Management should also make sure that personnel are performing only those duties stipulated for their respective jobs and positions.

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- b) Define critical roles, such as sourcing managers, internal IT managers, and business leaders.
- Role definitions should include primary and secondary responsibilities. For example, the Vice President of Finance has primary responsibilities related to financial tasks, but may also be involved in negotiation as a secondary responsibility. Role definitions should clearly describe responsibilities (e.g., team functions, engagement-level tasks, and organizational-level tasks) and authority (e.g., approval of resource acquisition, ability to commit to clients, and other decision-making authority).

→ Sourcing roles defined may include:

- program or project managers
- on-site relationship managers
- service provider governance staff
- service level management staff
- agreement management staff
- financial management staff
- transition staff
- human resources specialists
- organizational change specialists
- technical experts
- business process specialists

- c) Define the responsibilities and authority of each defined role.

- These roles, responsibilities should be documented. One common means of documenting this information is through the use of a RACI or RASCI matrix for each defined sourcing process. RASCI is an abbreviation for:
- “R” indicates who is Responsible and owns the outcome.
 - “A” indicates to whom “R” is Accountable and who must sign off (or Approve) on the work before it is effective.
 - “S” indicates who can be Supportive by providing resources or playing a supporting role in implementation.
 - “C” indicates who should be Consulted. They have information and/or capability necessary to complete the work.
 - “I” indicates those who must be Informed, or notified of results, but do not need not be consulted and who do not approve the work.

3. Document any changes in roles, responsibilities, and associated authority.

- a) Update documentation to reflect movement of personnel from one role to another, as well as to reflect changes in responsibilities and authority associated with a given role.
- b) Review and update position descriptions periodically.
- These position descriptions should clearly delineate both authority and responsibility, include definitions of skills and experience needed in the relevant position, and be suitable for use in performance evaluation.

c. Support the implementation of defining and communicating the roles and responsibilities of sourcing personnel across the organization.

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knw

Knowledge Management



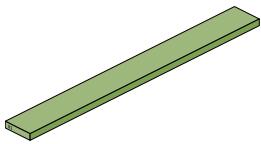
The Knowledge Management Practices focus on managing information and knowledge systems so that personnel have easy access to the knowledge needed to effectively perform their work. All Knowledge Management Practices are Ongoing. These Practices cover the following:

- Providing access to sourcing information: Ensuring that sourcing information is appropriately made available, and providing the information needed by personnel in a knowledge system that allows controlled, but efficient, access.
- Lessons learned: Maintaining information and lessons learned to improve current and future sourcing performance.
- Market and provider awareness: deals with understanding the market and screening the potential set of service providers and assisting them in understanding the organization's needs.

knw01



Provide Required Information



Knowledge Management

Ongoing

Level 2

Other

Identify, control, and provide the information that personnel need to perform their sourcing responsibilities.

Provide access to the information that is essential for personnel to do their work in order to enable personnel to work efficiently. Appropriate levels of control must be maintained, including version control of documents, access control to ensure that the appropriate people have access to the appropriate information, and information maintenance that is consistent with the organization's approach (policies and procedures) for security and the protection of intellectual property. Easy access to required information enables personnel to be more efficient and effective in the performance of their work.

Activities

- a. Provide support for creating and maintaining the work products and tasks for identifying, controlling, and providing the information that personnel need to perform their sourcing responsibilities.**
- b. Document and implement the work products and tasks required for identifying, controlling, and providing the information that personnel need to perform their sourcing responsibilities.**
Documentation and implementation include the following Activities:

1. Identify the information needed by personnel to perform their work.
 - Information needed by personnel may include guidance on how to perform their work (e.g., policies, procedures, guidelines), and on how to use or create work products (e.g., project plans, service specifications, reports, historical data).
2. Identify personnel, or other stakeholders, requiring access to the information.
 - Personnel or other relevant stakeholders may involve internal stakeholders as well as external stakeholders, such as relevant service provider personnel.
 - The organization's procedures for protection intellectual property may provide guidance on identifying stakeholders and control of release to them. Refer to thr03, "Intellectual property."
3. Select tools and methods for organizing, controlling, and providing the information.
 - Methods for controlling information can include version control, templates, and naming conventions. Organizations may use intranets, the Internet, compact discs, and hard copy to provide access to required information.
4. Define and communicate the steps personnel need to follow to request additional information.
5. Verify that access and control of information comply with procedures for security and protection of intellectual property.
 - Verify that information access and control meet the client's and other stakeholders' requirements for security and protection of intellectual property.
6. Review the identified information for correctness, clarity, and adequacy before making it available.
7. Modify the information collected, as needed, within defined time frames.

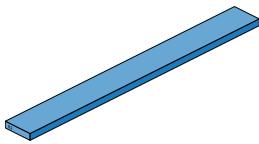
8. Provide the information to appropriate personnel.

- Providing information includes anticipating, as well as responding to, information requests. For instance, procedures and handbooks should be provided automatically to relevant stakeholders, whereas market information could be provided upon request.

c. Support the implementation of identifying, controlling, and providing the information that personnel need to perform their sourcing responsibilities.

knw02

Knowledge System

S**Knowledge Management**

Ongoing

Level 3

Other

Utilize a knowledge system to identify, control, and disseminate sourcing information.

Provide a coordinated knowledge system in order to allow the client organization to keep information current and to allow personnel to easily locate required information. A knowledge system is not necessarily a central electronic repository of information, but is rather a coordinated method for managing and communicating needed information. A knowledge system may be implemented through one or more databases, file systems, physical storage media, or other appropriate methods for systematically providing the necessary access and control of information.

This Practice expands on knw01, “Provide required information,” which covers the provision of information needed for personnel to perform their work. The focus of this Practice is expanded to control and provide information and knowledge through a formal knowledge system. This Practice is closely related to gov04, “Defined sourcing processes,” since this knowledge system is the primary place where sourcing processes are maintained.

Activities

- a. **Provide support for creating and maintaining the work products and tasks for utilizing a knowledge system to identify, control, and disseminate sourcing information.**
- b. **Document and implement the work products and tasks required for utilizing a knowledge system to identify, control, and disseminate sourcing information. Documentation and implementation include the following Activities:**
 1. Identify sources and classes of information needed to support organizational objectives.
 - a) Identify information about clients.
 - b) Identify information about employees.
 - c) Identify information about service providers.
 - d) Identify information to support the Sourcing Life-cycle.
 - Information to support the Sourcing Life-cycle includes information needed during Analysis, Initiation, Delivery, and Completion. Information needed by personnel may include guidance on how to perform their work (e.g., policies, procedures, guidelines), work products (e.g., project plans, service specifications, reports, and historical data).
 - e) Identify personnel, or other stakeholders, requiring access to the information.
 2. Create a plan for establishing and maintaining sourcing knowledge within the knowledge system.
 - The organization may choose to use an existing knowledge system or to build a unique knowledge system to meet its sourcing needs.
 - The plan for implementing the knowledge system should include activities needed to collect, organize, review, and provide the needed sourcing information. This may be a separate plan, or a component of a comprehensive organizational knowledge management plan.
 3. Collect, organize, and review the identified information according to the plan.
 - a) Select tools and methods for collecting and maintaining information.
 - b) Collect identified information using selected tools and methods.
 - c) Review the identified information for correctness, clarity, and adequacy.

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- d) Identify methods for organizing the identified information.
 - e) Identify methods for controlling the identified information.

4. Provide the collected information according to the plan.

- a) Create an information communication strategy.

- The organization needs to decide what and how information gets communicated. Some information will be provided on demand (e.g., user requests for help), while other information will be supplied as it becomes available (e.g., broadcast of a change in policy).

- b) Select methods and media, supporting the communication strategy, for providing information to relevant stakeholders.

- Methods and media should support the communication strategy. Some methods and media are more suited for broadcast (e.g., newsletters, posters, and e-mail announcements) versus on-demand information (e.g., web browser, knowledge databases, and telephone help desk).

- c) Create and disseminate guidelines on how to use the knowledge system.

- d) Provide the information to appropriate personnel.

5. Track status and progress against the plan.

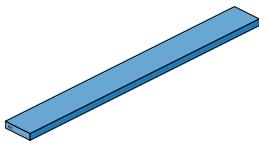
- a) Determine actions to take when progress deviates from the plan.

- b) Take corrective actions and track them to closure.

6. Track usage of available knowledge, taking action when appropriate.

- Attributes to track may include ease of access, response time of the knowledge system, availability of needed information, and information usage. Actions taken may include increasing infrastructure capacity, removing obsolete information, and obtaining modified information.

c. Support the implementation of utilizing a knowledge system to identify, control, and disseminate sourcing information.

knw03

Knowledge Management
Ongoing
Level 3
Other

Market Information**Analyze and use information about the service provider market.**

Analyze information about the service provider market, including both current and prospective service providers, in order to better understand and position their capabilities. This information includes the service provider's industry market share, external delivery partners, and their existing clients. A service provider's service delivery capabilities can also be identified by understanding their competitive environment, including competitive advantage, business objectives, competitors, threats, and problems. Understanding prospective service providers helps the client organization to keep current with new capabilities that can be used to meet business needs.

Activities

a. Provide support for creating and maintaining the work products and tasks for analyzing and using information about the service provider market.

b. Document and implement the work products and tasks required for analyzing and using information about the service provider market. Documentation and implementation include the following Activities:

- Understand the service provider market by researching the market to identify a pool of service providers who may be able to meet the organization's needs. The Client should be able to understand the services market, strategies and capabilities of individual service providers and what a good and bad deal looks like with specific service provider. They should be able to identify service providers in the market place and understand their qualifications.

1. Identify the sources and types of market information needed to support organizational objectives.

- a) Identify the appropriate service provider markets.

- Markets can be analyzed as market sectors, services offered, or geographies from which services are provided.

- b) Identify prospective service providers in the appropriate markets.

- c) Identify the types of market information needed for each prospective service provider.

2. Research the state of the market, service providers and technologies.

- a) Regularly review the sourcing market to identify the trends and changes.

- b) Review the sourcing market to develop knowledge of sourcing practices and their outcomes.

3. Collect and maintain market information on prospective service providers.

- The organization should have and use a structured approach for developing and updating service provider lists and databases. While many organizations rely on service providers to provide information about themselves and their accomplishments, through mechanisms such as marketing materials and white papers, collecting market intelligence becomes imperative when the organization does not have adequate intimate knowledge of the service provider industry and experience with the type of service providers who may be potential candidates.

4. Analyze the information.

a) Verify the accuracy of the collected data.

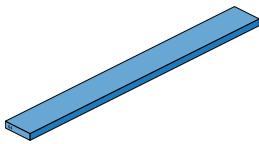
→ Verification of the information may include analyzing the credibility of sources and consistency of information.

b) Identify opportunities to create new relationships with potential service providers, and take action, as appropriate.

5. Use market information about prospective service providers.

→ Market information about prospective service providers can be used to better understand service provider capabilities, establish new service provider relationships, update the services sourced, and identify topics for negotiation. It is important to understand the services market before evaluating service providers' bids.

c. Support the implementation of analyzing and using information about the service provider market.

knw04

Knowledge Management

Ongoing

Level 3

Other

Lessons Learned**Analyze and use knowledge gained from sourcing activities.**

Use lessons learned from current and past sourcing activities in order to make improvements in current and future sourcing initiatives. Effectively analyzing and using the knowledge gained from prior and current initiatives enables clients to reuse its best practices, to address problems that have occurred, and to improve overall value obtained through current and future initiatives.

This Practice is related to knw05, “Share knowledge,” val04, “Improve sourcing processes,” and mgt09, “Stakeholder feedback.” This Practice covers analyzing and using engagement knowledge; stakeholder feedback data from mgt09 is a type of engagement knowledge. Both this Practice and mgt09 analyze and use information from engagements. The focus of this Practice is on using this information as the basis for improvement on current and future sourcing initiatives. The focus of knw04 is on using this information, with a particular emphasis on stakeholder feedback, as a basis for improving relationships and better meeting the needs of stakeholders.

Activities

a. Provide support for creating and maintaining the work products and tasks for analyzing and using knowledge gained from sourcing activities.

b. Document and implement the work products and tasks required for analyzing and using knowledge gained from sourcing activities. Documentation and implementation include the following Activities:

1. Determine types of knowledge about sourcing activities that need to be collected and analyzed.
 - a) Identify information about use of sourcing processes and procedures to be collected and analyzed.
 - b) Identify information needed to analyze work products for reuse.
 - c) Identify types of lessons learned to be collected and analyzed.
 - Types of lessons learned may include resource consumption, best practices in use, and innovative approaches to problem resolution.
2. Determine types of stakeholder information that need to be collected and analyzed.
 - a) Identify client, service provider, and partner business drivers and objectives.
 - b) Identify information about client organization’s use of the sourced service.
 - c) Identify information about the client organization’s management of the sourced service.
 - d) Identify information about client, service provider and partner culture.
 - e) Identify information needed from employees.
 - Information needed includes feedback on employees’ work products and tasks. This feedback is crucial for quality and process improvement.
 - f) Determine attributes that require client and other stakeholder feedback.
 - Attributes typically focus on stakeholder satisfaction in areas including service quality, service timeliness, or effectiveness of interaction.

3. Identify sources for sourcing management knowledge.

- Lessons learned could be both from the organizational sourcing management processes, as well as specific service provider relationships; and are typically obtained by collecting feedback from stakeholders involved in sourcing management processes and relationship management with service providers. Stakeholder information is typically gathered both directly from the stakeholders involved in sourcing activities and from external sources. Direct stakeholder feedback can be gathered through satisfaction surveys, meetings, and documenting feedback received by the client interaction teams and others. Milestone review sessions and end-of-project sessions are common ways of collecting feedback. Information about the use of process assets can also be a valuable source of information, since it can help identify which process assets can be improved and which can be effectively reused. External sources can include structured research and participation in industry forums.

4. Collect and maintain the identified knowledge about sourcing.

a) Select tools and methods to collect and maintain knowledge.

- Methods to collect knowledge can include feedback sessions, surveys, and analysis of frequency of process assets and other work products used.

b) Determine time-frames for collecting and maintaining knowledge about sourcing activities.

- It is essential that the organization document key information in a timely manner to preserve organizational knowledge in the event that one or more providers change.

c) Identify contact personnel and media for collecting knowledge.

d) Collect and organize obtained knowledge into the knowledge system.

5. Analyze the collected sourcing knowledge.

a) Analyze lessons learned.

b) Analyze use of sourcing processes and procedures.

c) Analyze work products for reuse.

- Work products that are selected for reuse become part of, or support, the set of sourcing processes for the organization.

d) Analyze applicability of knowledge to other areas of the organization.

e) Analyze effectiveness of how service supports and satisfies client, organizational, service provider and partner business goals.

f) Identify actions needed to improve relationships with clients, service providers, and partners.

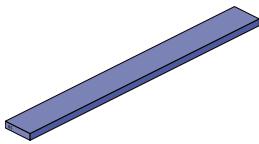
g) Identify other opportunities for improvement.

- Opportunities for improvement can include improving procedures to better address client requirements, improving employee conditions and work effectiveness, and creating new services that better support client business objectives. Refer to val04, "Improve sourcing processes," for making improvements to the organization's sourcing processes.

6. Use knowledge about sourcing activities gained, as appropriate.

- Knowledge gained should be used to maintain and improve sourcing activities for current and future sourcing actions. Knowledge gained is typically used as the basis for selecting work products for reuse and for making organizational improvements or supporting planning activities. Refer to pln01, "Establish sourcing project," and mgt01, "Perform sourcing management," as examples of sourcing activities that could be enhanced by the use of lessons learned.

c. Support the implementation of analyzing and using knowledge gained from sourcing activities.

knw05

Knowledge Management
Ongoing
Level 4
Procedure

Share Knowledge

Establish and implement procedures to share knowledge among stakeholders.

Encourage knowledge sharing among stakeholders in order to enable them to learn and improve sourcing performance while they establish stronger relationships among themselves. Knowledge sharing procedures also clarify the rules by which knowledge can be shared between internal stakeholders, client sourcing personnel, service providers, and their suppliers and partners.

This Practice is related to thr03, “Intellectual property” and rel06, “Collaborative relationships.”

Activities

a. Provide support for creating and maintaining the procedures for sharing knowledge among stakeholders.

b. Document and implement the procedures required for sharing knowledge among stakeholders. Documentation and implementation include the following Activities:

→ These procedures may be aligned with a larger organizational policy on knowledge management and knowledge sharing.

1. Communicate the purpose for sharing knowledge.

2. Identify stakeholders to participate in knowledge sharing.

→ Knowledge sharing may also occur across multiple service providers, if appropriate.

3. Establish incentives to encourage sharing and the contribution of useful knowledge.

→ Incentives may include rewards and recognition for improvements attributable to knowledge sharing.

4. Create systems and procedures for knowledge sharing among stakeholders.

→ Methods for sharing knowledge include meetings, queriable databases, intranets, self-service portals, bulletin boards, and seminars.

→ Technology integrated seamlessly into sourcing processes. Sourcing data flows from source systems into advanced analytical engines. Sourcing technology service providers seek partnership opportunities with organization. Sourcing knowledge managed and shared across the company.

5. Track knowledge sharing tasks, taking action when appropriate.

c. Support the implementation of sharing knowledge among stakeholders.

tch

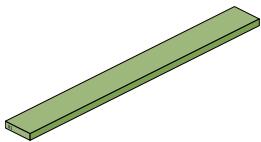
Technology Management



The Technology Management Practices focus on monitoring and managing the technology infrastructure. These Practices focus on issues related to integration of the client's technological environment with the service provider's, as well as change management of the technology base. All Technology Management Practices are Ongoing. These Practices cover the following:

- Technology change management: managing the change of the technology base and ensuring that technology strategy and architecture are managed consistent with business needs.
- Managing technology assets: Managing technology assets and the licensing of technology.

tch01

**Technology Management**

Ongoing

Level 2

Procedure

Asset Management

Ensure that technology assets are managed according to documented procedures.

Ensure that technology assets are managed in order to optimize use of assets, maintain configuration control of assets, and prevent the inability to properly use the organization's technology assets which could impact service performance and, consequently, the client organization's business ability. This can be a complex issue if the delivered service or the service provider relationship spans national boundaries or other legal entities where multiple legal or regulatory requirements may be imposed. Proactively addressing asset management issues also helps to establish stakeholder trust.

The organization typically will have asset management strategies and policies in place. Technology resources that require asset management may include specific hardware, software, networking, and data communication components. This Practice is related tch02, "License management."

Activities

a. Provide support for creating and maintaining the work products and tasks for ensuring that technology assets are managed according to documented procedures.

b. Document and implement the work products and tasks required for ensuring that technology assets are managed according to documented procedures. Documentation and implementation include the following Activities:

1. Identify assets to be tracked.

→ Asset management may be complicated by issues of geographies, multiple legal entities, or a delegation of responsibilities between the client organization and its service providers. Asset management may also be complicated by asset management strategies built into sourced service agreements containing asset transfers. Irrespective of these issues, the client organization should ensure that there exists, and is applied, disciplined mechanisms to track and control assets. These may be client processes or shared with the service provider.

2. Implement and maintain appropriate asset management systems and reports.

a) Ensure that guidelines for assigning identifiers to the various components of the technology infrastructure exist.

→ Identification is assigned by using suitable naming or numbering conventions.

b) Ensure that unique identifiers for each component of the technology infrastructure are assigned based on the guidelines.

c) Ensure that an inventory for the technology infrastructure is maintained.

d) Ensure that the asset management inventories are periodically reviewed and updated.

3. Define and implement procedures to track and control changes to the technology infrastructure.

a) Identify the types of technology infrastructure changes that need to be tracked and controlled.

→ Technology infrastructure changes include any changes to the hardware, software applications, tools, upgrades, communication applications, and tools.

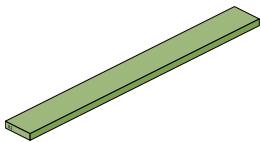
b) Document methods to be used for tracking and controlling the identified types of changes.

c) Maintain documentation on changes to the technology infrastructure.

→ Verify that changes are appropriately reflected in the assigned identification.

c. Support the implementation of ensuring that technology assets are managed according to documented procedures.

tch02

**Technology Management**

Ongoing

Level 2

Procedure

License Management

Ensure that technology licenses are managed according to documented procedures.

Ensure that technology licenses are managed in order to avoid liabilities and legal actions that could impact service performance and, consequently, the client organization's business ability. This can be a complex issue if the delivered service or the service provider relationship spans national boundaries or other legal entities where multiple legal or regulatory requirements may be imposed. Proactively addressing licensing issues also helps to establish stakeholder trust.

Technology resources that may require licensing include specific software libraries, applications, development tools, maintenance tools, and hardware components. These may be proprietary in nature (e.g., resources created specifically for a particular client using technology that gives them a competitive advantage) or they may be resources that are sold by a third party (e.g., packaged applications).

Activities

a. Provide support for creating and maintaining the work products and tasks for ensuring that technology licenses are managed according to documented procedures.

b. Document and implement the work products and tasks required for ensuring that technology licenses are managed according to documented procedures. Documentation and implementation include the following Activities:

1. Identify requirements for technology licenses.

a) Identify existing technology resources to be used in designing, deploying, and delivering the service, or which will be transferred to the service provider.

b) Identify existing technology resources from the organization, service providers, or partners to be used in designing, deploying, and delivering the service.

c) Identify new technology resources that need to be obtained.

d) Identify applicable software licensing implications.

e) Analyze and document usage restrictions on identified technology.

→ Usage restriction should clearly indicate the organization's rights, if any, to transfer or assign the license to a service provider, or restrictions on the service provider's use of the licensed technology for other purposes (e.g., in support of other clients).

2. Address licensing requirements in the agreements between the client organization, service provider organization and third parties, as appropriate.

→ Agreements need to verify that appropriate licensing coverage is obtained to protect the client organization, service providers, suppliers, and third parties. Inability of all parties to obtain required licenses for the technology may cause significant risks and delays in responding to client needs or add additional costs for acquiring new licenses for use at the service provider's facilities.

3. Coordinate with service provider and third parties to transfer the licenses needed, based on identified requirements.

4. Review the transferred licenses to verify they meet identified requirements.

→ The attributes of the licenses should be matched with requirements. For example, if the organization has 20 users then the license should allow for 20 users. Other attributes to address include pricing, vendor support, expiration, and renewal methods.

5. Maintain an inventory of technology licenses.

- Maintaining an inventory of technology licenses may be a separate sourcing activity, or it may be implemented as part of a larger organizational asset management system across the client organization.
 - a) Maintain an inventory of technology licenses retained by the client organization to support its sourced services.
 - b) Maintain records of those technology licenses transferred to service providers to support the organization's sourced services.
 - c) Maintain inventories of technology licenses transferred to service providers to support the organization's sourced services.

6. Track technology license usage, taking action when appropriate.

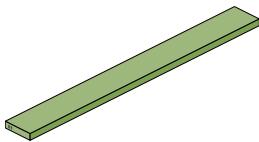
7. Maintain licenses, based on agreements with the service provider or third parties, and associated documentation.

- Licenses may need to be modified due to a number of circumstances, such as change in number of end users, change in number or location of sites used to deliver the service, change in service provider or third parties involved, technology upgrades.

8. Address licensing issues during Completion.

- During Completion the organization may need to reacquire, reassign, or transfer the licenses from the service provider or designee. The organization may not have direct ability to influence the transfer of licenses (e.g., licenses to use a third party technology). However, the organization is expected to facilitate the process to ensure a smooth transition of service delivery back to the client, or designee.

c. Support the implementation of ensuring that technology licenses are managed according to documented procedures.

tch03**Technology Management**

Ongoing

Level 2

Procedure

Technology Integration

Establish and implement procedures to manage the client organization's integration of its technology infrastructure with service providers.

Establish and implement procedures to manage the integration of the client's technology infrastructure with that of the service provider and their partners, in order to help ensure its optimal use. The integration can range in scope from integrating with a single sourcing initiative and one service provider to more complex cases of integrating with several initiatives and multiple service providers and their appropriate partners.

The need for the integration of technology infrastructure may be identified during the process of gathering requirements of a sourcing opportunity, or it may be proposed by the service provider. Technology infrastructure includes physical components (e.g., servers, network couplers and database bridges) and functional components (e.g., extranets, databases, enterprise software applications, and web sites).

This Practice is related to mgt06, "Service delivery change management." This Practice also supports gov06, "Business process integration" as technology infrastructure is commonly needed to support the delivery of business processes.

Activities

- a. **Provide support for creating and maintaining the procedures for managing the client organization's integration of its technology infrastructure with the service providers.**
- b. **Document and implement the procedures required for managing the client organization's integration of its technology infrastructure with the service providers. Documentation and implementation include the following Activities:**
 1. Create a plan for integrating the technology infrastructure.
 - The technology deployment plan should include integration of the technology infrastructure.
 - Accounting for security is particularly important when integrating the technology infrastructure. Refer to thr04, "Security and privacy."
 - a) Identify contact personnel from the client organization, service provider organization and third parties, if any, who will be involved in the integration.
 - b) Identify and analyze technology components required for technology integration.
 - This includes examining the combined assets for redundancy. Establish guidelines for examining redundant assets for redeployment, lease, sale, etc. Consider using redundancies to accomplish disaster recovery objectives.
 - c) Obtain review and approval from the affected stakeholders within the client organization, service providers, and third parties for the technology integration.

2. Track status and progress against the plan.

- a) Integrate the organization's technology infrastructure.
- b) Determine actions to take when progress deviates from the plan.
- c) Take actions and track them to closure.

3. Review the performance of the integrated technology with respect to the expected performance, taking action as appropriate.

→ Examples of performance reviews include dry runs, simulation, and overload tests.

4. Identify the end-users of the integrated technology and provide them with access to the technology.

5. Track and maintain the integrated technology infrastructure, taking action when appropriate.

6. Prepare for technology separation.

→ Technology separation typically happens during the completion of the agreement with the client, service providers, and partners. Actions required for separation can vary significantly depending on the degree of integration that has taken place. For instance, if infrastructure redundancies were reduced, additional infrastructure will need to be procured and deployed prior to separation.

- a) Create a technology separation plan.
- b) Identify and analyze technology components required for technology separation, including examining combined assets for procurement requirements.
- c) Obtain review and approval from the affected stakeholders within the client organization, service providers, and third parties for the technology separation.
- d) Track status and progress against the technology separation plan, when separation occurs, taking action as appropriate.

c. Support the implementation of managing the client organization's integration of its technology infrastructure with the service providers.

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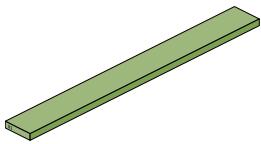
Threat Management



The Threat Management Practices focus on identifying and actively managing threats to the client organization's ability to meet its business and sourcing objectives and requirements. This includes an active focus on risk management, with a particular focus on risks associated with security, privacy, and confidentiality; business continuity, disaster recovery and development of contingency plans; and protection of intellectual property. All Threat Management Practices are Ongoing. These Practices cover the following:

- Risk management: Managing sourcing risks, consistent with the organization's existing risk management policies, by identifying, assessing, and controlling risks.
- Protecting against specific threats: Managing security, privacy, confidentiality, and intellectual property threats.
- Business continuity: Ensuring business continuity, including concerns regarding recovery from disasters.
- Compliance: Monitoring statutes and regulations to ensure compliance.

thr01

**Threat Management**

Ongoing

Level 2

Procedure

Sourcing Risk Management

Establish and implement procedures to identify, assess, and manage sourcing risks.

Demonstrate management's commitment to proactively identifying, assessing, and managing risks in order to improve the ability of the client to provide business continuity despite the occurrence of threats. A documented policy helps to demonstrate management commitment and provides an approach for how the client should manage risks. It is also the first step in demonstrating compliance with statutory and regulatory requirements. A risk management policy also provides direction to internal stakeholders in their proactive risk management efforts.

Effective risk management is particularly critical in the early stages of a sourcing initiative, where requirements are being analyzed and service is being designed to meet those requirements. Problems encountered here can impact the success of service delivery and associated business benefits throughout the life of the initiative.

Activities

a. Provide support for creating and maintaining the procedures for identifying, assessing, and managing sourcing risks.

b. Document and implement the procedures required for identifying, assessing, and managing sourcing risks. Documentation and implementation include the following Activities:

- The organization implements these procedures to establish a systematic risk assessment framework, which supports assessment of the relevant risks to the achievement of the sourcing objectives and the delivery of each sourced service and providing a basis for managing risks to an acceptable level. These procedures for risk management should be based on corporate policies and compliant with organizational guidelines for risk management. In many cases, the organization will already have a comprehensive risk management process in place, whose guidelines should be applied to its sourcing activities. If a comprehensive risk management process is not in place, it is expected that the organization will establish and follow a risk management process for its sourcing activities.

1. Identify risks for each sourced service.

a) Identify types of potential risks to the sourced service.

- The potential risks typically include known weaknesses in the organization's procedures, inadequate skill availability for managing sourcing, employee morale, protection of intellectual property, information security, and legal and regulatory compliance.

b) Identify risks for each sourced service, including specific risks in the identified types of risks.

- These specific risks may include reliability and suitability of technology, adequacy of skill pool and security, failure of a client to meet responsibilities, accuracy of delivery schedule estimates, and sufficiency of resources (e.g., personnel).

2. Assess risk exposure for the client organization, specific to the service under consideration.

→ Risk exposure is the probability of the risk occurring multiplied by the estimated impact of the risk.
Risk exposure may be on qualitative and/or quantitative criteria.

a) Analyze the probability of a risk occurring.

b) Analyze the potential impact of risks on the success of the engagement.

- Risk impacts may be considered in terms of their impact to the client organization, to the sourced service, or to the relationship with the service providers.

3. Prioritize and determine how to respond to the risks identified in the risk assessment.

a) Prioritize identified risks.

b) Define the risk response for each identified risk.

→ From the risk assessment, the organization can determine whether to eliminate or mitigate the risk (e.g., through training, upgrading technology) or to accept the risk (e.g., when the risk effect on the outcome of the engagement is within tolerances specified in the risk policy). Possible actions include:

- Eliminating a risk is removing the probability of encountering an adverse event by predicting the event and implementing preventive actions.
- Mitigating a risk includes reducing the degree of impact on future events that may jeopardize the success of a sourced service or its engagements, or the achievement of a goal, by using alternative approaches and buffers in schedules, or by providing stand-by resources.
- Accepting a risk is acknowledging that an identified risk is inevitable, or low cost, and including its occurrence in the planning process for the sourcing action.
- Establishing a contingency plan. Contingency plans are used based on previously identified events; they cover actions to take in case of the occurrence of the identified risk. Contingency plans should address the needs of the sourced service; addressing both site-specific disruptions, as well as business and geopolitical uncertainties.

4. Identify the responsibilities of the client organization and service providers for managing each identified risk.

→ Identifying the responsibilities includes identifying the risks that the client organization will manage, the risks that the service provider will manage, and the risks that both the organizations will jointly manage.

5. Verify that risk responses are aligned with the objectives of the sourced service.

6. Document the risk assessment and risk responses.

→ Risk responses may be documented in appropriate risk logs, or in plans for service delivery risk management, security, integration of the technology infrastructure, disaster recovery, and business continuity.

7. Review and approve the procedures and methods to implement risk response for both client organization and the service provider.

→ Contingency plans are used based on previously identified events; they cover actions to take in case of the occurrence of the identified risk.

a) Verify that business continuity plans address identified risks.

b) Verify that disaster recovery procedures address identified risks.

c) Verify that risk management procedures address escalation of risks to issues.

8. Track risk responses, taking action as appropriate.

a) Update the appropriate risk log with details of risk responses taken.

b) Review risks, risk responses, and status with management.

9. Maintain the risk assessment, along with the service provider, as appropriate.

→ Risk levels change over time as new threats and vulnerabilities are identified or risk responses are invoked. Procedures should be developed to monitor these changes and take appropriate action. The risk log, risk management strategy and project plan should show that they are continually maintained and updated to reflect progress against plans.

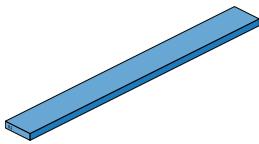
a) Review risks, risk responses, and status with service providers, as appropriate.

b) Determine actions to take when risks need to be escalated to be addressed as an issue.

→ Refer to rel04, "Issue management."

c. Support the implementation of identifying, assessing, and managing sourcing risks.

thr02

**Threat Management**

Ongoing

Level 3

Procedure

Organizational Risk Management

Establish and implement procedures to manage risks across multiple sourced services and service providers.

Establish an approach for managing risks in order to reduce their impact and provide stakeholders with confidence in the client organization's ability to maintain business continuity. Effective identification and assessment of risks enables the client organization to take mitigating actions to lower the impact should a risk event occur. These efforts improve the ability of the organization to provide an appropriate level of service despite the occurrence of problems. Effective risk management improves the stakeholders' confidence in the client organization's ability to maintain needed services and service levels. Through effective risk management, the client organization can balance risks across multiple initiatives.

This Practice expands on the risk management tasks performed in thr01, "Sourcing risk management," which focuses more narrowly on management of the risks that impact a specific sourcing activity. The focus of this Practice is broadened to cover management of risks across multiple sourcing activities.

Activities

a. Provide support for creating and maintaining the procedures for managing risks across multiple sourced services and service providers.

b. Document and implement the procedures required for managing risks across multiple sourced services and service providers. Documentation and implementation include the following Activities:

1. Communicate the purpose of risk management.

- There should be an overarching risk management strategy in line with the business's approaches for managing risk. Plans for risk management must include plans for managing the risks that can not be transferred, such as business and reputation risk.

2. Identify types of potential risks to the organization.

- The potential risks typically include known weaknesses in the organization's procedures, insufficient resources (including personnel, technology, or infrastructure), inadequate skill availability, inadequate security coverage, obsolescence of technology, client merger or acquisition, and client's non-payment of invoices. Risk exposure is typically quantified as the probability of the risk occurring, multiplied by the estimated impact of the risk.

3. Identify how risk exposure will be assessed for the organization.

- Risk exposure is typically the probability of the risk occurring multiplied by the estimated impact of the risk.

4. Decide the organization's tolerance for risk.

- The amount of risk the organization will tolerate can be thought of in terms of the organization's risk tolerance or risk appetite. Risk tolerance is the acceptable levels of variation relative to the achievement of planned objectives, while risk appetite addresses the amount of risk an organization is willing to accept in meeting its objectives.

5. Identify the risks for the portfolio of sourcing activities across the organization.

- Identified risks should include risks of the types of risks identified in the organization's risk policy. Types of risks in the portfolio may be associated with markets, services, or clients.

6. Assess the risks for the portfolio of sourcing actions for their impact on the organization.

- a) Analyze how likely the risks are to occur.

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- b) Determine how vulnerable the client organization and each sourced service are to the identified risks.
 - c) Create estimates of the cost of exposure to the risk, the cost of mitigating the risk, and the cost of the mitigated risk.
 - Mitigation of the risk should occur only if the costs of mitigating the risk are less than, or equal to, the cost of exposure to that risk.

7. Prioritize and determine how to respond to the identified risks in portfolio of sourcing actions.

- One strategy to mitigate risks across the organization is to have a portfolio of engagements with a mix of different risk attributes and probabilities. A risk that may be acceptable in the context of a single engagement may be unacceptable if it is a common risk that spans engagements, even if the probability of occurrence is relatively low.

- a) Prioritize identified risks.
- b) Analyze risks identified in the portfolio of sourcing actions to determine how they could be systematically eliminated.
 - Analysis techniques such as a Pareto analysis may identify those risks to focus on.
- c) Define the risk response for each identified risk.

8. Verify that risk responses are aligned with organizational objectives.

- a) Verify that business continuity plans address identified risks.
- b) Verify that the disaster recovery procedures address identified risks.

9. Document the risk assessment and risk responses.

- Risk responses may be documented in appropriate risk logs, or in plans for service delivery risk management, security, integration of the technology infrastructure, disaster recovery, and business continuity.

10. Track risk responses, taking action as appropriate.

- a) Update the appropriate risk log with details of risk responses taken.
- b) Review risks, risk responses, and status with management.

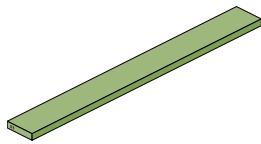
11. Review the status of identified risks with senior management.

- These reviews may occur during routine reviews of the organization's sourcing activities. Items reviewed typically include:
 - New risks identified.
 - Changes in the priority of risks.
 - Changes in mitigation plans.
 - Status of any mitigation or contingency plans executed.
 - External risks, including service provider risks.

12. Maintain the risk assessment.

c. Support the implementation of managing risks across multiple sourced services and service providers.

thr03

**Threat Management**

Ongoing

Level 2

Procedure

Intellectual Property

Establish and implement procedures to protect the intellectual property of stakeholders.

Meet or exceed stakeholders' requirements for the protection of intellectual property to increase levels of trust, in order to foster successful sourcing relationships. Inappropriate use or disclosure of intellectual property can damage the relationship with stakeholders, may cause financial loss, and make the client organization vulnerable to disputes or legal action.

The organization should have a formalized policy on the protection of intellectual property that is used to provide direction for creating the procedures on protection of intellectual property. Protection of intellectual property policies typically covers access and use policies, installation policy, configuration policy on information infrastructure, encryption, and information privacy.

Stakeholders may be the service provider, third parties, or the organization, as well as employees of any of these organizations. The intellectual property of both internal and external stakeholders requires protection, especially when dealing with exchange of information or other intellectual property between the client organization and service providers.

This Practice is related to thr04, "Security and privacy," because security procedures may assure that intellectual property is appropriately protected.

Activities

a. Provide support for creating and maintaining the procedures for protecting the intellectual property of stakeholders.

b. Document and implement the procedures required for protecting the intellectual property of stakeholders. Documentation and implementation include the following Activities:

1. Identify existing intellectual property and ownership for relevant stakeholders.

- Intellectual property may include proprietary software, hardware, designs, methodologies, service-related documents, data, training, trademarks, copyrights, drawings, layouts, processes, procedures, policies, and other proprietary technology or materials. Use of intellectual property may include royalties or payments for use or transfer of services.

- a) Identify and document rights, responsibilities, and ownership of current intellectual property.

- These rights, responsibilities and ownership may be outlined in agreements between the client organization, service providers, or third parties.

- b) Identify and document rights, responsibilities, and ownership of future intellectual property.

- Future intellectual property is any intellectual property purchased, transferred, or created while engaged in a sourcing relationship.

- c) Determine the disposition of current and future intellectual property during Completion.

2. Identify and analyze potential threats to intellectual property.

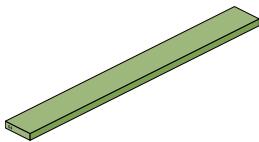
- Identification of potential threats is done by reviewing prior experiences of the organization, or of similar organizations, conducting security audits, and obtaining client feedback. Potential threats to intellectual property can be electronic (e.g., virus attacks), or physical (e.g., theft).

- Careful consideration must be given to the different definitions of intellectual property in multinational engagements to ensure that these resources are given the level of protection expected by the stakeholders.

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3. Analyze the rights, responsibilities, and ownership of intellectual property.
 4. Obtain review and approval of the identified rights, responsibilities, and ownership of intellectual property from the relevant stakeholders.
 - Governance and non-disclosure agreements (NDAs) should protect the intellectual property of all parties (client organization and service providers); this is especially important in multi-sourcing situations where failure to protect service provider's intellectual property, as well as the client's, could create an exposure for legal action if one service provider were allowed unauthorized access to another's IP. Some patents are filed only in certain countries and may need approvals and a license to use a process or system in certain locations.
 5. Ensure incorporation of relevant clauses relating to protection of intellectual property in agreements with the service providers.
 6. Ensure service provider procedures protect the intellectual property of the client organization.
 7. Communicate the rights, responsibilities, and ownership of current and future intellectual property.
 8. Track the use of the identified intellectual property and changes in rights, responsibilities, and ownership, taking action when appropriate.
 9. Obtain review and approval of changes in rights, responsibilities, and ownership of intellectual property from the relevant stakeholders, as appropriate.

c. Support the implementation of protecting the intellectual property of stakeholders.

thr04

**Threat Management**

Ongoing

Level 2

Procedure

Security & Privacy

Establish and implement procedures to meet security and privacy requirements.

Meet or exceed stakeholders' requirements for security in order to foster successful sourcing relationships and increase their level of trust. Breakdowns, such as security breaches, can impact the client organization's ability to provide business continuity, thereby damaging the relationship and making the involved parties vulnerable to legal action. Effective security is essential for meeting privacy requirements and protecting intellectual property (thr03, "Intellectual property"). Security requirements may come from the client organization or statutes and regulations governing the service being delivered. Security management should cover the security of people, technology, work environment, and information.

As used in this Practice, security provides four types of control: confidentiality, integrity, availability, and accountability. Confidentiality means that only authorized users can access information. Integrity means that the accuracy and completeness of information is maintained and not changed without authorization. Availability means that the service or information is available to authorized users when needed. Accountability is the ability to trace the source of changes in controlled resources.

Privacy deals with how information is used and what limitations are placed on access, use, and disclosure of the information. For many domains, security and privacy requirements are not only organizational mandates, but there may also be statutory or legal requirements regarding security and privacy that must be complied with.

Activities

a. Provide support for creating and maintaining the procedures for meeting security and privacy requirements.

b. Document and implement the procedures required for meeting security and privacy requirements. Documentation and implementation include the following Activities:

1. Identify confidentiality, integrity, and availability requirements.

2. Identify access control, authentication, and accountability requirements.

3. Identify physical security requirements.

→ Security requirements result in procedures for access to networks, data backup, and restrictions to physical access.

4. Identify data and software security requirements.

→ Requirements may include new software for authentication of users, new encryption software and tools, configuration of network and communication protocols, additional hardware and operating systems, and additional or new variants of anti-virus software.

5. Identify behavioral requirements.

→ Behavioral controls help ensure that personnel maintain security and include training, policy statements, and separation of duties.

→ Authorized users may engage in behavior that compromises security (e.g., by holding the door for an unknown visitor, taping passwords to computer monitors). Breaches that deal with human behavior are referred to as social engineering. Social engineering controls help ensure that personnel maintain security, and include training, policy statements, and separation of duties.

6. Identify privacy requirements.

- Privacy or data protection requirements may come from the client, or from statutes and regulations governing the service (e.g., privacy of patient data in the health care industry). A major purpose of privacy requirements is to define and limit the circumstances in which the organization's data may be used or disclosed.

7. Identify and analyze potential threats to the organization's assets.

- Assets to be considered can include information and infrastructure, including technology and systems. Potential security threats can be physical, electronic, or social. Examples include undetected intrusions, and virus attacks. Internal threats may arise from accidental or malicious actions of authorized insiders. External threats may arise from vandals (e.g., hackers and crackers), competitors (e.g., industrial espionage), or extremist groups.
- Identification of potential threats is done by reviewing prior experiences of the organization or of similar organizations, conducting security audits, and obtaining client feedback. An assessment of organization assets includes an analysis of the impact on operational capability due to loss of confidentiality, vulnerabilities that could be exploited, existing threats that could exploit the vulnerabilities, and the likelihood that a threat might occur.

8. Identify the assets to protect, and document the rationale for the decision.

- These assets may be tangible (e.g., facilities and communication links), or intangible (e.g., information or behaviors).

a) Define the security architecture of the sourced service.

- At Capability Level 3, this should address security and privacy needs in the technical architecture. Refer to gov05, "Alight strategy and architecture."

b) Define the security requirements of the information architecture of the sourced service.

- The Information Architecture of the sourced service should address placement of data in information classes (i.e., security categories) as well as allocation of ownership. It should also define appropriate access rules for the classes of information.
- Procedures should be implemented to ensure that all data are classified in terms of sensitivity by a formal and explicit decision by the data owner according to the information architecture of the sourced service.

9. Create security solutions, along with the service provider, as appropriate, based on the identified requirements and threats.

- Some solutions may include securing computing resources—e.g., network servers, workstations, local area network, software, applications, and communication infrastructure; securing access to public servers such as web servers, using well-configured firewalls in appropriate network locations, using intrusion detection systems, and creating responses to intrusions. Solutions may be implemented by installing new software for authentication of users, installing new encryption software or tools, configuration of network and communication protocols, separate hardware and operating systems, and virus scanners.

10. Track threats to the organization's assets, taking action as appropriate.

- Threats may change over time. The organization should monitor for unexpected activity that may indicate a breach. The client organization should ensure that the service provider also conducts and supports security tracking. Tracking security may be done using software tools, designated teams, security audits, mock tests, and simulations, and deliberate attempts to break into the information infrastructure. Monitoring the external environment may be done through coordination with specialists, service providers and their partners. Tracking should include audits of proposed changes to the technology infrastructure to verify that security is not compromised with the introduction of new elements or components.

Security & Privacy cont'd

11. Implement the organization's information security management system for sourced services.

a) Implement applicable security, and privacy procedures and controls within the client organization.

→ Examples include:

- Procedures that provide access security control based on the individual's demonstrated need to view, add, change or delete data.
- Procedures to ensure timely action relating to requesting, establishing, issuing, suspending and closing of user accounts.
- Control processes in place to review and confirm access rights periodically.
- Control procedures to ensure that security activity is logged and any indication of imminent security violation is reported immediately to all who may be concerned, internally and externally, and is acted upon in a timely manner.
- Control procedures to ensure that violation and security activity is logged, reported, reviewed and appropriately escalated on a regular basis to identify and resolve incidents involving unauthorized activity.

b) Ensure that applicable security and privacy procedures and controls are implemented at service provider locations, and across any data transmission capabilities.

→ Examples include:

- Control procedures to ensure that only authorized persons have access to the systems
- Technical and control procedures necessary to prevent and detect unauthorized use or alteration during data creation, transfer and storage
- Exception report handling and follow up procedures for incidents and suspicious activities
- Technical and control procedures necessary to maintain confidentiality along the end-to-end transaction path
- Control procedures necessary to restrict physical access to sensitive devices to be implemented at service provider's locations.
- Control procedures for maintaining system integrity and recovery
- Technical procedures to conduct remote vulnerability scans to determine what internal information can be accessed from outside

c) Implement a security awareness program to communicate the applicable security policy and procedures as they apply to sourcing activities.

12. Verify that the work is consistently and effectively performed according to the security and privacy procedures.

→ Adherence reviews are typically implemented through security audits, usage of tracking tools, and reports on resources accessed and the frequency of access. Effectiveness reviews are typically implemented through usage of tracking tools, security audits, and analysis of security incidents and their root causes.

→ Refer to thr05, "Compliance" regarding security audits using internally-recognized standards such as BS 7799-2, ISO 17799, and ISO 27001.

a) Obtain independent assurance (or certification/accreditation) of security and internal controls prior to implementing sourced services and re-certification/re-accreditation of these services on a routine cycle after transition.

b) Perform periodic internal evaluations (i.e., security audits) to demonstrate that security requirements are met.

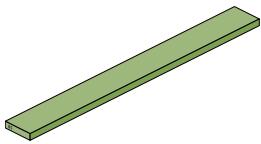
c) Document contingency plans for dealing with violations, security breaches, attacks, or threats.

c. Support the implementation of meeting security and privacy requirements.

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Compliance



Threat Management

Ongoing

Level 2

Procedure

Establish and implement procedures to comply with applicable standards and statutory and regulatory requirements.

Organizations in today's interconnected world must often comply with a multitude of standards, statutes, and regulations. Some of these are local laws, others may be national, or international, or may be specific to a particular industry or type of information being handled. Some may be focused on particular products, practices, or operations; they may address products, processes, or management systems. Some may have significant penalties and impacts for nonconformance, such as financial reporting and compliance standards, statutes, and regulations.

The client organization must implement procedures to address governance, risk, and compliance (GRC). These procedures ensure that they comply with standards, statutes and regulations that impact their sourcing capability and their sourced services in order to meet statutory, regulatory and stakeholder requirements and to avoid stakeholder dissatisfaction and legal or audit issues. Compliance is crucial in any sourcing relationship that is under the jurisdiction of multiple legal or regulatory systems. Compliance with statutory and regulatory requirements is also necessary to uphold the client organization's ethical standards and to protect it from disputes or legal action. Outsourcing does not necessarily transfer the governance, responsibility and accountability, or the risks associated with the outsourced activity. Clients cannot relinquish responsibility for compliance of their sourced services when they transfer the service to a service provider.

Activities

a. **Provide support for creating and maintaining the procedures for complying with applicable standards and statutory and regulatory requirements.**

b. **Document and implement the procedures required for complying with applicable standards and statutory and regulatory requirements. Documentation and implementation include the following Activities:**

1. Identify standards, statutes, and regulations applicable for the markets, geographical regions, and specific services sourced by the client organization.

- Statutes and regulations may be safety- and ergonomic-related standards in the work environment, personnel-related (e.g., working hours, wages, time off, and the physical work environment), technology-related (e.g., those governing encryption, data transmission and confidentiality), market-related (e.g., those governing services permitted to be sourced, restrictions on government contracts and minimum performance standards), service-related (e.g., those governing service levels, and restrictions on agreement value and duration), and privacy- and security-related (e.g., access to, and control of, information, and controls over the release of information). Careful attention must be paid to the organization's adherence to export and import restrictions in the cross-border transfer of information and technology.

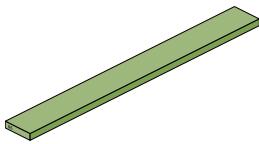
- Careful attention must be paid to the organization's adherence to export and import restrictions in the cross-border transfer of information and technology.

2. Identify additional standards, statutes, and regulations applicable to meeting identified client requirements.

- Client-specific statutes and regulations may include regulations stipulated by the government of the client's country. In addition, the client may specifically request some of the requirements.

-
3. Analyze the impact of standards, statutes, and regulations on the organization.
 - a) Analyze the impact of standards, statutes, and regulations on the organization's processes.
 - b) Analyze the impact of standards, statutes, and regulations on the organization's personnel.
 - c) Analyze the impact of standards, statutes, and regulations on the organization's infrastructure and technology.
 4. Identify actions necessary to bring the organization into compliance with the identified standards, statutes, and regulations.
 - Actions taken to comply with regulations include modifying technological infrastructure, creating and submitting reports required by statutes, and obtaining required approvals.
 5. Take actions and track them to closure.
 6. Track compliance with, and changes to, the applicable standards, statutes, and regulations, taking action when appropriate.
 - a) Maintain information on standards, statutes and regulations.
 - b) Ensure compliance with applicable standards, statutes, and regulations.
 - It is the responsibility of the organization to verify that relevant standards and statutory and legal requirements are understood and met.
 - c) Ensure service provider compliance with applicable standards, legal and regulatory requirements, and with commitments documented in the agreements, on a routine cycle.
 - Compliance tracking is typically done through audits or legal reviews.
 - d) Update procedures and infrastructure by the client organization and the service provider, as needed to comply with changes in standards, statutes and regulations.
 - This includes new standards, statutes, and regulations, as well as changes to existing standards, statutes, and regulations. As regulatory policy changes, the organization must review and revise (if necessary) their practices or policies to meet those changes. Each organization should maintain an ongoing awareness of changes and update their policies and procedures to adapt to changing requirements.
 7. Ensure that agreements with service providers address compliance with applicable standards, statutes and regulations, as appropriate.
 - Refer to agr06, "Create agreements," and agr07, "Amend agreements," regarding making amendments to agreements with service providers.
- c. Support the implementation of complying with applicable standards and statutory and regulatory requirements.**

thr06



Threat Management

Ongoing

Level 2

Procedure

Business Continuity

Establish and implement procedures to ensure business continuity of sourced services.

Prepare for possible disasters in order to minimize their impact on the client organization's ability to continue business activities. By ensuring that service providers follow disaster recovery procedures during significant failures of infrastructure or facilities, the client organization is able to continue to provide business continuity. Preparation covers service delivery, security, the protection of intellectual property, crisis management, and the safety of personnel, and promotes confidence in the client organization's and service providers' ability to react effectively to adverse situations.

Activities

a. Provide support for creating and maintaining the procedures for ensuring business continuity of sourced services.

b. Document and implement the procedures required for ensuring business continuity of sourced services. Documentation and implementation includes the following Activities:

→ This addresses maintaining business resumption and contingency plans, business continuity plans, disaster recovery and related contingency plans. The focus is to ensure the integration of sourced services into organizational business continuity and disaster recovery (BC/DR) procedures.

1. Analyze the business impacts of identified business continuity threats to the sourced service.

a) Identify business continuity threats that can affect the sourced service.

b) Identify and analyze the business impacts resulting from business continuity threats that can affect the sourced service.

c) Identify time-critical functions, their recovery priorities, and inter-dependencies so that recovery time objectives can be set.

d) Identify methods to reduce the effects of the identified disasters.

→ Examples of methods include establishing redundancies in technology infrastructure, including power and communications; provisioning alternate sites to ensure continuity of operations in case of failure of the primary site; providing fire-fighting equipment, regular back-ups, and off-site storage; installing fire alarms; and cross-training personnel.

e) Identify and document actions to take when a disaster occurs.

→ Actions to be carried out include clearly identifying the possible disruptions to service, determining a time frame for recovery, reviving the critical functions of the organization, and communicating with relevant stakeholders. Indicate the time and effort required for each action.

→ When planning, prioritize the identified disasters and the organizational functions to be targeted for recovery, in case of a disaster. Responses should maintain an effective work environment and continue to provide resources for critical service-related and support tasks.

2. Identify and analyze business continuity risks.

a) Collect input from the relevant stakeholders to identify potential disasters or risks that can affect the sourced service.

b) Review agreement termination plans for potential business continuity risks.

c) Review risk assessments for potential business continuity risks.

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- d) Classify and prioritize identified disasters or risks based on an analysis of risk exposure.
 - The identified disasters may be prioritized based on systematic analyses for probability and impact of the disaster on the client organization, including calculating the cost of outage, the impact on user satisfaction, the legal implications, the impact on corporate image, and the impact on credibility with investors.
 - Identified disasters are typically classified as external (e.g., natural, infrastructure, political, sabotage) or internal (e.g., technological, accidents, and intentionally carried out disruptions such as strikes or other labor actions).
 - The identified disasters may be prioritized based on systematic analyses, including calculating the cost of outage, the impact on personnel morale and confidence, the legal implications, the impact on corporate image, and the impact on credibility with clients and investors.

- e) Develop shared understanding with service providers on risks and responses.

3. Define the organization's approach to business continuity and disaster recovery for each sourced service.

- Sourcing management, in cooperation with business process owners, should establish a continuity framework which defines the roles, responsibilities and the risk-based approach/methodology to be adopted, and the rules and structures to document the continuity plan as well as the approval procedures.

4. Create business continuity/disaster recovery plans.

- a) Integrate sourced services into the organization's business continuity and disaster recovery plans.

- An organization's plan will typically be documented in the form of a disaster recovery or business continuity plan. This plan includes identified events that have an adverse impact on the sourced service; the planned response in case the event occurs; the personnel responsible; additional resources to be made available; and a communication and coordination plan.
- The organization's plan should identify the key client, service provider, supplier and partner contacts who have the authority to make timely decisions. Alternatives should be selected if key people cannot respond. The plan should also coordinate with the plans of service providers and their critical suppliers and partners.

- b) Verify that plans exist for maintaining continuity of the sourced service across phases of the Sourcing Life-cycle.

- Different approaches can be taken to maintain continuity of service, such as providing a parallel service, a staged transfer of service, or a straight transfer of service. The approach taken will depend on the associated risks. In some cases, continuity of service may not be critical or necessary. Whether continuity needs to be maintained, and if so, what approach will be used, should be negotiated by the client; the agreed-upon approach may be outlined in the agreement.

- c) Involve relevant stakeholders in creating, improving, reviewing, and approving the disaster recovery plans and procedures, as appropriate.

5. Maintain and test business continuity/disaster recovery plans for the organization's sourced services.

- Pre-plan and coordinate plan exercises, drills, or tests of business continuity/disaster recovery plans and evaluate and document the results. Develop processes to maintain the currency of continuity capabilities and the plan document in accordance with the organization's strategic direction. Verify that the Plan will prove effective by comparison with a suitable standard, and report results in a clear and concise manner.

- a) Test the effectiveness of the disaster recovery plan at scheduled intervals, taking corrective action as appropriate.

- Appropriate testing intervals can vary based on the criticality of the service being delivered and the potential impact of a disaster. Disaster recovery drills typically take place no more frequently than quarterly and no less than annually.

Business Continuity cont'd

- b) Verify that the service provider tests the disaster recovery or business continuity plan at scheduled intervals, taking corrective action as appropriate.

→ The service provider must share the test report with the client organization within reasonable time-frame of the test, as agreed by both parties.

6. Coordinate business continuity/disaster recovery with service providers.

- a) Ensure incorporation of disaster recovery metrics in the service level agreement with the service provider.

- b) Involve service providers in creating, improving, reviewing, and approving business continuity/ disaster recovery plans, as appropriate.

- c) Review service provider disaster recovery plans and procedures to ensure integration of the sourced service with the service provider's disaster recovery procedures.

→ Reviews of the disaster recovery procedures should include risk, security, and protection of intellectual property.

- d) Approve relevant disaster recovery or business continuity plans of the service provider.

- e) Regularly review business continuity/disaster recovery testing performed by the provider, including the scope and results of the test.

7. Perform emergency response and crisis coordination, as necessary.

- a) Document procedures for response and stabilizing the situation following an incident or event affecting the sourced service.

- b) Develop, coordinate, evaluate, and test plans to communicate with internal stakeholders, external stakeholders, and the media in the event of an incident or event affecting the sourced service.

8. Track status and progress against the plan in the event of a disaster.

- a) Determine actions to take when progress deviates from the plan.

- b) Take corrective actions and tracking them to closure.

c. Support the implementation of ensuring business continuity of sourced services.

opa

Sourcing Opportunity Analysis



The Sourcing Opportunity Analysis Practices focus on the functional analysis of the current operations of the organization and identification of potential functions, processes or services that could be sourced. All Sourcing Opportunity Analysis Practices are in the Analysis phase of the Sourcing Life-cycle. These Practices cover the following:

- Documenting the current state: understanding the current business processes of the organization,
- Determining the criteria for selecting sourcing opportunities: These criteria for determining which capabilities are potential candidates for outsourcing and which should be retained in-house may be as simple as identifying the core and non-core activities for the organization, or may be much more complex based on business value and strategic direction.
- Analyzing sourcing opportunities: Analyzing the options that the organization has to source the services, like assessment of the criticality of the business activity, assessment of the external supply market (identification of potential service providers), deciding on the types of sourcing relationships, and aligning sourcing decisions with performance and business needs.
- Business case: Preparing a business case for sourcing which includes carrying out a cost-benefit analysis and determining stakeholder buy-in.

These Practices will help identify the preliminary potential sourcing scope in terms of resources, activities or functions, geographies involved, etc.

opa01

Sourcing Opportunity Analysis
Analysis
Level 3
Other

Define Current State**Document the current organizational structure and process model.**

Understanding the current state of the organization, especially its structure and processes, provides a firm foundation for identifying and analyzing potential sourcing opportunities. A solid understanding of the current state of the organization can serve as a basis for defining the services, their performance and service levels, requirements and business case for potential sourcing actions. Not establishing a baseline understanding of current processes can lead to ill-informed sourcing decisions and greater risk in achieving the planned objectives for sourcing actions. This Practice documents the Present Mode of Operation (PMO) or “as is” state of the organization, its services and processes, and the organizational structure and roles within it.

This Practice is closely related to opa03, “Demand identification,” app02, “Business case,” and pln02, “Service definition.” It also provides inputs to ocm03, “Define future state,” and ocm06, “Organizational change.”

Activities

- a. Provide support for creating and maintaining the work products and tasks for documenting the current organizational structure and process model.**
- b. Document and implement the work products and tasks required for documenting the current organizational structure and process model. Documentation and implementation include the following Activities:**
 1. Document the current organization structure.
 - The organizational structure describes the functions, business units, dependencies among entities and units, and reporting relationships, within the organization.
 2. Document the current process model.
 - a) Identify existing services and processes.
 - b) Identify existing services and processes currently being sourced.
 - c) Determine the performance measurements and standards for the services and processes.
 - d) Establish baselines for the identified services and processes.
 - The baselines are established by reviewing the performance measurements and standards for the services and processes.
 - e) Create high-level process model or process flows.
 - f) Determine inter-dependencies and linkages among the identified services and processes.
 - g) Identify the roles, responsibilities and authorities of personnel within this process model.
 3. Maintain the documented organizational structure and process model.
- c. Support the implementation of documenting the current organizational structure and process model.**

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opa02



Sourcing Criteria

Sourcing Opportunity Analysis
Analysis
Level 3
Other

Define the relevant criteria for identifying sourcing opportunities.

Criteria for identifying sourcing opportunities might be categorized in terms of cost, value, complexity, direct customer contact, revenue risk, and operational risk. The criteria should align with the organizational sourcing strategy and objectives so that the client's resources are focused on the opportunities most likely to meet the organization's sourcing objectives, such as to source functions that produce the highest cost savings return at the lowest cost and risk.

This Practice is closely related to opa03, "Demand identification," and its use is guided by str02, "Sourcing constraints," str03, "Potential sourcing areas," str04, "Sourcing objectives," and str05, "Organizational sourcing strategy."

Activities

- a. **Provide support for creating and maintaining the work products and tasks for defining the relevant criteria for identifying sourcing opportunities.**
- b. **Document and implement the work products and tasks required for defining the relevant criteria for identifying sourcing opportunities. Documentation and implementation include the following Activities:**
 1. Review the sourcing and business objectives of the organization.
→ Refer to str04, "Sourcing objectives."
 2. Identify methods for preliminary identification of the sourcing opportunities.
 - a) Identify sources of information to consider.
 - b) Analyze prior decisions and history in pursuing the sourcing opportunities.
 - c) Identify criteria to consider.
 - d) Collect necessary data and perform preliminary analysis on the identified criteria.
 3. Classify services being currently provided or anticipated, based on the potential sourcing areas identified.
→ For example, services may be classified as infrastructure support, application development, application maintenance, application support, help-desks, business processes—payroll, training, or call centers. Each classification may have different criteria for selecting sourcing opportunities. In order to classify sourcing opportunities involving already sourced services, it is helpful to track when existing sourced services will become available to be re-bid. The classification may address the type of service as well as the projected renewal date for existing agreements and other key data.
 4. Define the criteria for identifying potential sourcing opportunities, based on the objectives and the classes of service delivery.

→ The criteria may include cost, performance levels, competencies, resources, value, direct customer contact, constraints, and risks. These criteria may be based, in part, on the organization's sourcing constraints (str02). The criteria may also relate to specific analyses that must be performed in identifying potential sourcing opportunities, such as spend analysis, or analyses of total cost of ownership (TCO), total cost of utilization (TCU), or total cost of service (TCS). The criteria should consider not only the existing conditions of the services' delivery, but also the anticipated conditions for future delivery. This enables a systematic and objective analysis of the sourcing opportunity.
 - a) Identify potential criteria for identifying potential sourcing opportunities.
 - b) Confirm that the criteria are aligned with sourcing and business objectives.

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- c) Confirm that the criteria are aligned with the sourcing strategy.
 - d) Confirm that the criteria are consistent with identified sourcing constraints.
 - e) Obtain inputs from relevant stakeholders in selecting criteria to be used in identifying potential sourcing opportunities.
 - Relevant stakeholders may include both senior management as well as internal stakeholders representing the affected business units.

5. Identify the attributes to measure in analyzing the sourcing opportunities.

- Identified attributes should be relevant to the criteria for identifying potential sourcing opportunities.

6. Communicate the methods and criteria for preliminary identification of the sourcing opportunities to relevant stakeholders.

7. Maintain the criteria for identifying sourcing opportunities.

- Criteria may need to be modified based on the factors such as services, objectives, or requirements.

c. Support the implementation of defining the relevant criteria for identifying sourcing opportunities.

opa03**Demand Identification**

Sourcing Opportunity Analysis
Analysis
Level 2
Other

Identify potential sourcing opportunities.

Using the sourcing objectives established and the criteria defined for identifying sourcing opportunities, the organization can make informed decisions about identifying the possible sourcing opportunities that it could pursue. The intent is to focus on those opportunities most likely to meet the organization's sourcing objectives, while also meeting the defined criteria, which will lead to further analysis of whether these potential opportunities should be pursued. Without taking a disciplined approach to this decision-making, the organization risks selecting less than optimum sourcing opportunities, or more risky sourcing opportunities.

This Practice is closely related to opa04, "Sourcing options," which examines potential sourcing arrangements for each identified sourcing opportunity.

Activities

a. Provide support for creating and maintaining the work products and tasks for identifying potential sourcing opportunities.

b. Document and implement the work products and tasks required for identifying potential sourcing opportunities. Documentation and implementation include the following Activities:

1. Define objectives for sourcing in potential sourcing areas.

→ Refer to str03, "Potential sourcing areas."

a) Involve relevant stakeholders in identifying these sourcing objectives.

→ Refer to ocm02, "Stakeholder involvement," regarding identifying and involving relevant stakeholders.

b) Identify objectives for sourcing in potential sourcing areas.

→ Sourcing objectives are derived from the business and strategic objectives, and take into consideration the market information available, the organizational policies and directives, identified sourcing constraints and relevance of sourcing to the organization.

c) Align the objectives for sourcing in potential sourcing areas with the sourcing objectives of the organization.

→ The objectives for sourcing in potential sourcing areas should be aligned with sourcing and business objectives of the organization. Refer to str04, "Sourcing objectives," regarding the establishment of the organization's sourcing objectives.

2. Identify prospective sourcing opportunities, based on the objectives and potential sourcing areas identified.

→ Potential sourcing opportunities may be identified by analysis of the current process model (opa01) and the potential sourcing areas (str03). Multiple objectives may be in existence and each objective should be evaluated to identify prospective sourcing opportunities. At higher levels of capability, client organizations typically identify potential sourcing opportunities that meet their sourcing strategy, identified sourcing objectives, and criteria for identifying potential sourcing opportunities.

3. Analyze the prospective sourcing opportunities, based on the criteria defined.

→ At Capability Level 3, the criteria to be used in identifying potential sourcing opportunities are defined in opa02, "Sourcing criteria."

a) Collect data on the identified criteria for identifying potential sourcing opportunities and attributes.

b) Analyze each prospective sourcing opportunity based on the sourcing and business objectives and data.

4. Decide to perform further analysis of potential sourcing opportunities.

- a) Coordinate and verify decision to pursue further analysis of potential sourcing opportunities from relevant stakeholders.
- b) Document the decision to perform further analysis of potential sourcing opportunities.
 - The decision should be documented, which can be useful if there is a need to explain the decision. For instance, if the potential sourcing opportunity does not satisfy the defined criteria, it is generally not pursued further. However, in some cases, organizations may choose to pursue the opportunity further based on business needs. The prospective sourcing opportunity, if pursued for further analysis, becomes a potential sourcing opportunity.

c. Support the implementation of identifying potential sourcing opportunities.

opa04

Sourcing Options

Analyze sourcing options for potential sourcing opportunities.

Sourcing Opportunity Analysis
Analysis
Level 2
Other

Analyze the options that the organization has to source the services, like assessment of the criticality of the business activity, assessment of the external supply market (identification of potential service providers), deciding on the relevant types of sourcing relationship, and aligning sourcing decisions with performance and business needs. For each identified sourcing opportunity, a variety of options exist for the arrangements desired, including location, type of relationship, and potential service providers. As to location, a number of geographies may be considered for outsourcing or offshoring a service. Sourcing relationships options may include outsourcing, insourcing or numerous alternatives which could include: focused cost reduction initiatives, professional skills development for existing staff, consolidation of in-house resources in areas of strength or desired strategic directions, focusing of existing in-house resources on strategic initiatives, utilizing shared services, or creating a new external service provider through a spin-off or assets sale. This detailed analysis of sourcing options is necessary in order to have a firm basis for developing the business case for any sourcing activity.

This Practice is closely related to app02, "Business case."

Activities

- a. **Provide support for creating and maintaining the work products and tasks for analyzing sourcing options for potential sourcing opportunities.**
- b. **Document and implement the work products and tasks required for analyzing sourcing options for potential sourcing opportunities. Documentation and implementation include the following Activities:**
 1. Define the methods and criteria for analysis of potential sourcing opportunities.
 - The analysis may be performed for each potential opportunity or the analysis may be performed based on the class of the service, where a group of like services are combined into a class of service to be analyzed.
 - a) Define the analyses to be conducted.
 - b) Define the methods for using and communicating the results of the analyses.
 - c) Determine the criteria and attributes for analyzing alignment with sourcing and business objectives.
 - d) Determine the criteria and attributes for analyzing the services and business processes.
 - These criteria may include criticality, size, complexity, stability, documentation standards and levels, domain knowledge required, direct customer contact, value, cost, performance levels, resources consumed, resources required, or competencies. The criteria should consider not only the existing conditions of the services' delivery, but also the anticipated conditions for future delivery.
 - e) Determine the criteria and attributes for analyzing risks.
 - Risk analysis is based on the risks specific to the service, organizational constraints, organizational processes for managing sourcing, etc. Risk analysis identifies the risks for the sourcing opportunity, determines the likelihood that the identified risks will occur, determines the impact of the occurrence of the identified risks on the service and organization, identifies risk mitigation and risk handling actions required to contain the identified risks, and addresses the cost of exposure to the risk, the cost of mitigating the risk, and the cost of the mitigated risk. Mitigation of the risk should occur only if the costs of mitigating the risk are less than, or equal to, the cost of exposure to that risk.

f) Determine the criteria and attributes for analyzing sourcing options, as appropriate.

- Sourcing option analysis is based on the objectives, service analysis, risk analysis and constraints. The sourcing options may be analyzed in terms of criteria such as (a) mode of service delivery—e.g., in-house with internal staff or with resource augmentation from external service provider, completely outsource, partially outsource, offshore, etc; (b) alternatives—e.g., focused cost reduction initiatives, professional skills development for existing staff, consolidation of in-house resources in areas of strength or desired strategic directions, focusing of existing in-house resources on strategic initiatives, utilizing shared services, or creating a new external service provider through a spin-off or assets sale, etc.; (c) type of relationships; (d) type of service providers; or (e) location or geography.

2. Analyze the sourcing options for potential sourcing opportunities, based on the objectives and criteria defined.

- a) Conduct service analysis, based on the identified criteria and attributes, and data collected.
- b) Conduct risk analysis, based on the identified criteria and attributes, and data collected.
- c) Conduct sourcing options analysis, based on the identified criteria and attributes, and data collected.

3. Decide to further evaluate proposed sourcing actions.

- a) Coordinate and verify decision to further evaluate proposed sourcing actions from relevant stakeholders.
- b) Document the decision on further evaluation of the potential sourcing opportunity.

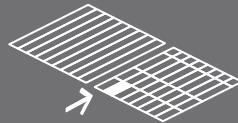
→ The decision should be documented, which can be useful if there is a need to explain the decision. For instance, if the potential sourcing opportunity does not satisfy the defined criteria, it is generally not pursued further. However, in some cases, organizations may choose to pursue the opportunity further based on business needs.

c. Support the implementation of analyzing sourcing options for potential sourcing opportunities.

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Sourcing Approach



The Sourcing Approach Practices focus on deciding on the type of sourcing for a specific sourcing opportunity. These Practices will help addressing issues like how to structure the sourcing for a specific agreement and what kind of sourcing relationship to establish for the proposed relationship, consistent with the client organization's sourcing objectives and strategy. Outcomes from sourcing approach will feed into the Sourcing Planning Capability Area. All Sourcing Approach Practices are in the Analysis phase of the Sourcing Life-cycle. These Practices cover the following:

- Determine the proposed sourcing approach: Deciding on the type of sourcing arrangements desired, including the sourcing approach and the operational governance model of the proposed sourcing action.
- Impact and risk analyses: Analyzing the impact and risks of the proposed sourcing action.
- Decide to source: Making the decision whether or not to source the proposed sourcing action.

app01**Sourcing Approach****Sourcing Approach**

Analysis

Level 2

Other

Identify and document the sourcing approach for the proposed sourcing action.

Examine possible alternatives and determine the preferable approach. This should be done using organizational, technological, cost, and other relevant considerations. Establishing the sourcing approach includes defining the specific objectives and sourcing approach (or procurement strategy) to be used in selecting service providers. This approach will set the conditions for Sourcing Planning, Service Provider Evaluation, and for Sourcing Agreements.

This Practice is closely related to app02, "Business case," and app03, "Governance model."

Activities

a. Provide support for creating and maintaining the work products and tasks for identifying and documenting the sourcing approach for the proposed sourcing action.

b. Document and implement the work products and tasks required for identifying and documenting the sourcing approach for the proposed sourcing action. Documentation and implementation include the following Activities:

1. Confirm the objectives for the proposed sourcing action.

→ The objectives should be aligned to the sourcing and business objectives, and are outlined during identification of the sourcing opportunities and analysis of the sourcing options (opa03). The objectives are specific to the proposed sourcing action and constitute the client organization's view of the engagement objectives. These may include cost savings, enhanced performance, resource optimization, flexibility in staffing, or increased business-IT alignment.

2. Identify proposed sourcing options for the proposed sourcing action.

a) Define criteria for selecting sourcing options.

→ The criteria may be the same as those used in opa04, "Sourcing options," to analyze potential options.

b) Collect data and information available on analysis, decision and business case already done for the sourcing opportunity.

→ This information was initially prepared in analyzing sourcing opportunities in opa04, "Sourcing options," and should now be used to support the development of the selected sourcing approach for the sourcing opportunity. The information provides the basis for considering the proposed sourcing action.

3. Review available data and information to validate the business case and analysis.

→ Validate business case and analysis based on the specific objectives established and on any change in the requirements, service, organizational needs, market information, etc. The business case is prepared in app02, "Business case." There may have to be some iteration between these two Practices as various sourcing options selected may impact the business case.

4. Analyze and select sourcing options for the sourcing approach.

5. Document the sourcing approach for the proposed sourcing action.

- a) Identify type of service delivery.
- b) Identify type of relationship, as appropriate.
 - The type of relationship desired may have legal or other impacts that need to be considered. Certain contractual relationships involve clearly identifying the prime contractor and subcontractor responsibilities. Joint ventures may involve creating separate legal entities. Some relationships may involve plans to only use a single relationship with a service provider to provide a service, where others may involve plans to have multiple service providers deliver the service.
- c) Identify type of potential service providers for sourcing relationships, as appropriate.
- d) Identify tasks to implement the sourcing approach.
- e) Create a schedule for the sourcing approach.
- e) Create estimates of the resources required to implement the identified tasks.

6. Obtain review and approval on the sourcing approach from relevant stakeholders.

c. Support the implementation of identifying and documenting the sourcing approach for the proposed sourcing action.

app02**Business Case****Establish and implement procedures to develop and validate the business case for sourcing.**

Sourcing Approach
Analysis
Level 2
Procedure

The client should create a business case for sourcing actions, just as for any other business driven initiative. Quantitative and qualitative measures help determine the full effect of the proposed sourcing action. The business case should be based on accurate data. A preliminary estimate of potential costs should not overlook the “extra” costs, such as potential knowledge transfer, which is a significant investment of time and effort in educating service provider staff about the targeted area, and governance and coordination costs for managing the service providers and their relationships. Organizations must know their real internal costs and productivity figures. If these are not quantified, then it will be difficult to judge success or failure. The business case also benefits from good qualitative data: the sourcing activities of competitors could serve as a benchmark.

A business case enables decision makers to assess the full costs, benefits, and risks of the potential sourcing opportunity. The analysis helps to prove or disprove whether the effort supports the clients objectives in the most effective manner. Its value stems from its inclusion of both quantitative and qualitative elements. A simple cost comparison will not show all of the true benefits or costs of a sourcing decision. Failure to build a solid business case does not give the organization solid information to support its sourcing decisions.

Activities

- a. **Provide support for creating and maintaining the procedures for developing and validating the business case for sourcing.**
- b. **Document and implement the procedures required for developing and validating the business case for sourcing. Documentation and implementation include the following Activities:**
 1. Determine the parameters and attributes for the business case.
 - a) Identify objectives for considering the sourcing action.
 - The objectives of the sourcing opportunity should be aligned with sourcing and business objectives of the organization.
 - b) Identify stakeholders involved in the proposed sourcing action.
 - c) Identify candidate sourcing options.
 - Parameters should include each sourcing option being considered, the capability to manage each sourcing option being considered, and the tasks and milestones estimate for each sourcing option being considered. Refer to app01, “Sourcing approach.”
 - d) Identify anticipated benefits.
 - Benefits could be in terms of cost savings, enhanced performance levels, resource optimization, value enhancement, increased focus on core services, or other relevant factors.
 - e) Identify barriers to sourcing opportunity.
 - f) Create estimates of the resources required, addressing, at a minimum, cost, personnel, and other resources.
 - g) Determine resource transfer estimates and requirements, as appropriate.
 - Resource estimates should address personnel, resources, technology infrastructure, and knowledge.

h) Create estimates of the cost of the proposed sourcing action in relation to the benefits that are planned to be gained.

i) Perform risk analysis.

→ Refer to thr01, “Sourcing risk management.” At Capability Level 3, this analysis extends to address impact and risk analysis. Refer to app04, “Impact & risk analysis.”

2. Develop the business case based on the identified parameters, attributes, and data.

a) Collect data for analysis of the potential sourcing opportunities, as appropriate, to build the business case.

→ Data required for analysis includes the parameters and attributes required to develop the business case. It may also include data on the existing service delivery, market data on the service and service delivery, market data on the potential service providers, etc. If data is not available or reliable, assumptions can be made and explicitly stated.

b) Create the business case.

3. Validate the business case developed.

→ Refer to app01, “Sourcing approach,” regarding the validation of the business case.

4. Document and maintain the business case.

a) Communicate the validated business case to relevant stakeholders.

b) Obtain senior management approval of the business case.

c) Maintain the business case, as appropriate.

→ The business case is updated, as needed, in mgt10, “Service value analysis,” and mgt11, “Continuation decision.”

c. Support the implementation of developing and validating the business case for sourcing.

app03**Governance Model****Identify and document the governance model for the proposed sourcing action.**

Sourcing Approach
Analysis
Level 2
Other

Based on documented sourcing processes and procedures, the governance model helps clarify how the client will manage the proposed sourcing action. A governance model is used to describe how the processes and authority for service delivery, risk, conflict resolution, and responsibility for the proposed sourcing action will be executed among the client's stakeholders, sourcing organization, and service providers. An effective governance model will help ensure that:

- The service provider delivers services as promises and meets service commitments smoothly and effectively
- The client can make the right decisions at the right time
- The client can effectively manage key stakeholders' expectations for service delivery.

Identifying potential governance models as a component of the sourcing approach enables their consideration in impact and risk analyses.

This Practice is closely related to gov04, "Defined sourcing processes," app04, "Impact & risk analysis," and app05, "Sourcing initiation decision." The governance model identified in this Practice becomes operationalized by pln01, "Establish sourcing project."

Activities

- a. **Provide support for creating and maintaining the work products and tasks for identifying and documenting the governance model for the proposed sourcing action.**
- b. **Document and implement the work products and tasks required for identifying and documenting the governance model for the proposed sourcing action. Documentation and implementation include the following Activities:**
 1. Confirm the objectives and sourcing approach for the proposed sourcing action.
 - Refer to app01, "Sourcing approach," for objectives and sourcing approach.
 2. Identify governance procedures required for the proposed sourcing action.
 - The governance procedures must ensure that the engagement objectives are achieved. The governance processes generally address all aspects of managing the sourced service, consisting of relevant project management tasks, service performance management, relationship management, agreement amendment, issue or dispute management, communication, escalation, value enhancement, risk management, governance steering, etc.
 - a) Identify process model and tasks for the identified governance procedures.
 - Process model includes the mechanism or procedure for executing the governance procedures, planned as well as the need-based triggers for invoking the governance procedures.
 - b) Identify schedule of tasks for the identified governance procedures.
 - c) Identify roles, responsibilities and authorities of the client organization personnel and the service provider personnel for governance of the proposed sourcing action, as appropriate.

3. Identify governance team and roles for the proposed sourcing action.

- The governance team consists of several teams or individuals specific to governance activities. For example, steering committee for overall governance of the proposed sourcing action may consist of the sourcing head and other senior management staff responsible for the service, relationship management team may include client organization's account manager and a sourcing management representative, project management team may include the technical leads and managers, transition team may include the key technical personnel and domain experts, etc.
- a) Identify governance capabilities required for the proposed sourcing action.
- b) Identify personnel competencies required for governance of the proposed sourcing action, relevant to the specific sourcing action proposed.
- c) Identify personnel with required personnel competencies for governance of the proposed sourcing action.
- d) Assign personnel to the governance team, based on the competencies.
- e) Identify and plan for training required for people assigned to the governance team, as appropriate.
- f) Identify service provider representative roles for inclusion in the governance team, as required.
 - Service provider representatives may serve in required roles on the governance team. The service provider representation is generally corresponding to the client organization's representation; in terms of the skills and levels of the assigned personnel.

4. Identify communication, reporting and reviewing mechanisms for the governance of the proposed sourcing action.

- Mechanisms include identification and assignment of personnel responsible, time-lines or schedule, etc.
- a) Identify communication, reporting and reviewing mechanisms for service performance.
- b) Identify communication, reporting and reviewing mechanisms for issues or disputes resolution.
- c) Identify communication, reporting and reviewing mechanisms for amendments to agreements.
- d) Identify communication, reporting and reviewing mechanisms for threat management
 - Threat management issues may include risk management, service continuity, and disaster recovery.

5. Document the governance model for the proposed sourcing action.

- The documentation may form the basis for a Governance Charter, which is mutually agreed-upon with the service providers to establish working-level procedures for managing the relationship and the sourced services.
- a) Define the objectives of the proposed sourcing action.
- b) Define the governance procedures.
- c) Define governance teams and roles.
- d) Define communication, reporting and reviewing mechanisms.
- e) Obtain review and approval on the governance model from relevant stakeholders.
- f) Communicate the governance model to relevant stakeholders.
- g) Maintain the governance model.
 - The governance model may need to be modified based on changes to the engagement objectives, service, service commitments, business requirements, etc.

c. Support the implementation of identifying and documenting the governance model for the proposed sourcing action.

app04

Impact & Risk Analysis

Sourcing Approach

Analysis

Level 3

Other

Perform impact and risk analyses of the proposed sourcing action.

Risk analysis helps to identify, analyze, and prioritize risks of the proposed sourcing action. Sourcing involves the usual service delivery risks of the sourcing opportunity plus the risks of doing the work through a service provider. A risk analysis provides the foundation for proactive risk management throughout the life of the sourcing initiative. The proactive side of risk management deals with identifying risks that could impact the work, and being prepared to prevent risks from occurring, or minimizing their impact, where that is feasible. The reactive side of risk management involves dealing with risks as they become problems.

A risk analysis increases a client's confidence in its ability to manage risk and the client's ability to ensure an appropriate level of service delivery despite the occurrence of problems. Consequently, stakeholders' confidence in the client's ability to manage the sourcing relationship will increase.

This Practice is closely related to app05, "Sourcing initiation decision," as well as to thr01, "Sourcing risk management" and as inputs to thr02, "Organizational risk management."

Activities

- a. Provide support for creating and maintaining the work products and tasks for performing impact and risk analyses of the proposed sourcing action.**
- b. Document and implement the work products and tasks required for performing impact and risk analyses of the proposed sourcing action. Documentation and implementation include the following Activities:**

1. Define methods for evaluating the impact of the proposed sourcing action.
 - a) Define the analyses to be conducted.
 - b) Define the methods for using and communicating the results of the analyses.
2. Determine measures for evaluating the impact of the proposed sourcing action.
 - a) Identify the issues or critical factors that relate to the impact of the proposed sourcing action.
 - b) Determine the measures for these issues.
 - c) Involve relevant stakeholders in determining the issues and their performance measures.
 - d) Determine the analyses and indicators to be used to understand and make decisions about the impact of the proposed sourcing action.
3. Perform impact analyses of the proposed sourcing action, identifying impacts and their causes.
 - a) Determine the impact of the proposed sourcing action on the internal organization.

→ Refer to ocm01, "Prepare for organizational change." These impacts can be considered in terms of the risks of sourcing, as well as the risks or impacts if sourcing does not occur.
 - b) Analyze the organization's ability to manage the sourced service and service provider for this proposed sourcing action.
 - c) Identify possible security and privacy risks of the proposed sourcing action.
 - d) Identify any economic, social, and human resource impacts of the proposed sourcing action.
 - e) Identify possible financial impacts of the proposed sourcing action.

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- f) Analyze the impact of the proposed sourcing action on existing sourcing relationships.
 - g) Determine the impact of the proposed sourcing action on community, external alliances, relationships, and perceptions.
 - h) Document impacts based on the sourcing options, business case, and governance model projected for the proposed sourcing action.
 - For example, impacts relating to the choice of either traditional outsourcing or multi-sourcing. Refer to app01, "Sourcing approach," app02, "Business case," and app03, "Governance model," for inputs to these impact and risk analyses. Note that these analyses may be iterative, performing the analyses for various tradeoffs between various parameters of the sourcing approach or governance model.

- i) Analyze the causes of identified impacts to identify possible risks.

4. Identify risks for the proposed sourcing action, based on identified impacts and their causes.

- The risk identification should include the types of risks identified in the organization's risk policy. Risks specific to the proposed sourcing action may include loss of control over the outsourced service, reduced performance or increased cost against the anticipated benefits, protection of intellectual property, information security, legal and regulatory compliance, integration of technology infrastructure, interdependence with other services, failure of the service provider to meet responsibilities, commitments and expectations, country risk, socio-economic and political risks. Refer to thr01, "Sourcing risk management."

5. Assess risk exposure for the proposed sourcing action.

- Risk exposure is the probability of the risk occurring multiplied by the estimated impact of the risk. Risk exposure may be on qualitative and/or quantitative criteria.
 - a) Analyze the probability of a risk occurring.
 - b) Analyze the potential impact of risks on the success of the engagement.

6. Prioritize and determine how to respond to the risks identified in the risk assessment.

- From the risk assessment, the organization can prioritize risks and determine whether to eliminate or mitigate the risk or to accept the risk when the risk effect on the outcome of the sourcing action is within tolerances specified in the risk policy. Contingency plans are used based on previously identified events; they cover actions to take in case of the occurrence of the identified risk.

7. Document the risks, risk exposures and prioritized risk responses in the risk assessment of the proposed sourcing action.

- Throughout the sourcing action, these risks may be included in ongoing review of identified risks and identification of new risks. Refer to thr01, "Sourcing risk management."

c. Support the implementation of performing impact and risk analyses of the proposed sourcing action.

app05

**Sourcing Approach**

Analysis

Level 2

Other

Sourcing Initiation Decision

Decide to initiate the proposed sourcing action.

The client organization makes a sourcing initiation decision whether or not to source the proposed sourcing action, consistent with the sourcing objectives for the client organization, impact/risk analyses, and business case analyses. The decision should be consistent with the client organization's sourcing strategy, if one exists within the organization. Decisions that are not consistent with the organization's strategy may result in difficulties or "distress" sourcing, leading to even further difficulties or a later inability to meet the organization's objectives.

The sourcing decision sets the groundwork for future governance and sourcing management activities, so it is crucial that the decision be well-informed and supported by relevant data. Stakeholder needs, as well as competitive analysis, may inform this decision. Failure to do so may well lead to a decision being made in the blind without adequate consideration of its implications for the organization as it moves forward.

Activities

- a. Provide support for creating and maintaining the work products and tasks for deciding to initiate the proposed sourcing action.**
- b. Document and implement the work products and tasks required for deciding to initiate the proposed sourcing action. Documentation and implementation include the following Activities:**
 1. Verify the objectives for the proposed sourcing action.
 2. Review and confirm the proposed sourcing action.
 - a) Review and confirm the objectives against the sourcing and business objectives and needs.
 - b) Review and confirm the proposed sourcing action against constraints.
 - Constraints may be in terms of resources, legal and regulatory, changes in business requirements, or changes in organizational policies.
 - c) Review and confirm the governance model for the proposed sourcing action.
 - d) Review and confirm the risk assessment for the proposed sourcing action.
 - e) Review and confirm the business case for the proposed sourcing action.
 - Business case was typically prepared for the potential sourcing opportunities, leading to identification of the proposed sourcing action. Refer to app01, "Sourcing approach," and app02, "Business case."
 - f) Confirm the planned sourcing approach.
 3. Identify organizational commitments required for initiating and implementing the proposed sourcing action.
 - a) Procedures for managing the proposed sourcing action.
 - b) Resources required.
 - Resources required may include:
 - Personnel, required for sourcing activities, personnel to be transferred, and personnel to be retained;
 - Technology, including technology to be transferred and to be integrated with the potential service provider;
 - Knowledge, including knowledge to be transferred; and
 - Funding.

4. Confirm the client organization's capability and willingness for the proposed sourcing action.

- The determination is typically based on the objectives, risk assessment, business case, and ability to meet the identified commitments.

5. Decide on initiating the proposed sourcing action.

- The roles that will be involved in this decision are defined in either the organization's existing management structure or in the definition of the governance team. Refer to app03, "Governance model," for the identification of roles in the governance team.

c. Support the implementation of deciding to initiate the proposed sourcing action.

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Sourcing Planning



The Sourcing Planning Practices focus on planning for implementation of the sourcing approach for a planned sourcing action. The procurement methods adopted may vary according to the complexity of the procurement, the size of the expenditure, the requirement, the circumstances, and the market. Some of the planning issues addressed by this Capability Area include capacity planning, identifying the in-house skill-set, identifying the need for third party assistance, and defining the procedures for service provider selection, establishing agreements, and maintaining agreements. Other important issues, which this Capability Area will deal with, are preparation of Services Requirements Document or Services Definitions Documents and definition of services/scope along with risks identification and mitigation. The outcome from this Capability Area is the organizational readiness to pursue the proposed sourcing action. All Sourcing Planning Practices are in the Initiation phase of the Sourcing Life-cycle. These Practices cover the following:

- Sourcing project: Establishing a capability to plan and manage the sourced service. Ensuring that all resources, including manpower, are ready to execute the sourcing agreement.
- Plan sourcing: Developing a sourcing implementation plan for a planned sourcing activity. Develop service provider selection procedures and criteria to be used in evaluating and selecting service partners.
- Define requirements and agreement: Developing the Services Requirements Document or Services Definitions Document, and having the basic structure of the agreement in place. Developing any documentation needed to communicate the client organization's inquiries, requests, and requirements to prospective service providers.

pln01



Establish Sourcing Project

Establish and implement plans for managing the sourcing project for each sourcing action.

Sourcing Planning
Initiation
Level 2
Plan

A sourcing management project is established to provide governance of each sourcing action. A client may organize a group of related sourcing management projects into a sourcing management program or function and this sourcing management program or function may manage multiple sourcing activities or sourced services. Each sourcing activity or sourced service is associated with a sourcing management project within the client organization to provide governance for that service. Failure to provide appropriate, and sufficient, governance of sourcing activities can cause innumerable difficulties by not having sufficient resources to perform the necessary sourcing management activities or to adequately engage in a positive, ongoing relationship with service providers or internal stakeholders.

Providing a single point of contact (i.e., the service provider interaction team) helps ensure the continuity of communication. It also establishes redundancy and ensures that there is an appropriate set of skills available to interact with the service provider. The service provider interaction team may be formed before a formal relationship with the service provider exists. As long as there is a relationship with a service provider—or a planned sourcing action exists that has completed its sourcing initiation decision—there will be a service provider interaction team. The team should be maintained throughout the Sourcing Life-cycle, but its membership should be changed as necessary at each phase of the Life-cycle. Besides the service provider interaction team, there may be other personnel who interact with the service provider (e.g., the subject matter experts will interact with the client during design reviews), but the service provider interaction team is responsible for verifying that the interactions are managed.

This project could evolve into the sourcing management team during the Delivery and Completion phases of the Sourcing Life-cycle.

Activities

a. Provide support for creating and maintaining the work products and tasks for establishing and implementing the plans for managing sourcing project for each sourcing action.

b. Document and implement the work products and tasks required for establishing and implementing the plans for managing the sourcing project for each sourcing action.

Documentation and implementation include the following Activities:

1. Implement the governance model.

→ Refer to app03, “Governance model.”

a) Define objectives for the sourced service.

→ Refer to str04 for general sourcing objectives, and app03 for specific objectives of this sourcing action.

b) Establish the governance team for implementing the sourcing actions.

→ Refer to ppl01, “Assign sourcing responsibilities.”

c) Establish applicable steering committees jointly with internal stakeholders.

d) Implement the governance procedures.

e) Identify and establish the decision rights.

f) Implement communication, reporting, and review mechanisms.

2. Create the sourcing implementation plan for the sourcing project.

→ The sourcing implementation plan typically includes roles and responsibilities, tasks, schedule of tasks and milestones, resources required, and tracking and monitoring mechanisms. This plan addresses the Initiation phase of the Sourcing Life-cycle; a sourcing management plan will be implemented during the Delivery phase of the Sourcing Life-cycle. Refer to mgt01, “Perform sourcing management,” for details on this sourcing management plan.

- a) Identify the roles and responsibilities of assigned sourcing personnel, and other relevant stakeholders.
- b) Create a schedule of tasks.
- c) Identify milestones.
- d) Implement the governance framework and structure.
- e) Provide resources required.
 - Resources required may include:
 - Personnel,
 - Specialist skills, such as financial experts, contracts and negotiation specialists, lawyers or counsel, advisors, or consultants, and
 - Work environment to support the sourcing project.
- f) Determine attributes and mechanisms to track implementation of the plan.
- g) Obtain review and approval of the sourcing implementation plan from relevant stakeholders.
- h) Communicate the sourcing implementation plan to relevant stakeholders.

3. Implement the sourcing project according to the sourcing implementation plan.

4. Track progress and status of implementation of the sourcing project.

- a) Determine actions to take when the progress deviates from the sourcing implementation plan.
- b) Determine actions to take when implementation deviates from the sourcing implementation plan.
- c) Take actions and track them to closure.

5. Maintain the sourcing implementation plan.

c. Support the implementation of establishing and implementing the plan for managing the sourcing project for each sourcing action.

pln02**Sourcing Planning**

Initiation

Level 2

Other

Service Definition**Define and document the services and service conditions.**

Define and document the services to be performed by the provider on behalf of the client and the service level specifications (service conditions and performance measures) to be met by the service providers in order to set expectations and to allow effective comparison between different potential providers. It is crucial that the client organization set out in specific and measurable terms the services required, how they are to be delivered and the duration that they are required for, as well as the performance standards (service levels) that relate to each of the services to be provided.

This documentation should clearly document the scope of the service to be performed in service specifications or service catalogs, clearly specifying the desired results, and defining the industry standards to be followed. Defining detailed performance measures allow the client organization to document the business requirements and rules, service levels and metrics to clarify customer expectations regarding the nature of the relationship, the levels of service to be delivered, the price, and how performance will be measured, monitored and reported.

This Practice is closely related to pln05, “Prepare service requirements,” agr05, “Define SLAs & measures,” and mgt02, “Performance monitoring.”

Activities

a. Provide support for creating and maintaining the work products and tasks for defining and documenting the services and service conditions.

b. Document and implement the work products and tasks required for defining and documenting the services and service conditions. Documentation and implementation include the following Activities:

1. Create an approach for collecting data which is aligned with the service requirements and sourcing objectives.

2. Collect data on current service delivery.

→ Refer to opa01, “Define current state,” regarding an understanding of the current organizational structure and process model. At times, data on current service delivery is not sufficiently available since it has not been well tracked while the service was being provided internally. In such instances, assumptions or extrapolations are often used by the client organization, but may be validated during the process of confirming existing conditions. Refer to agr02, “Confirm existing conditions,” regarding these confirmatory activities.

a) Verify scope of the service.

→ The organization needs to verify that the scope of service is clearly understood, defined, and documented. Confirming the scope of services involves confirming key attributes for each service, including outputs, resource requirements, responsibilities, service level expectations, and schedule requirements.

b) Review current policies, procedures, and guidelines.

c) Identify and review current backlog of requests that will be assumed by the potential service provider.

d) Create estimates of backlog of requests that have not been submitted, but are anticipated.

e) Review current systems and infrastructure and identify any issues or risks that may impact service delivery.

f) Identify and review dependencies that may impact service delivery.

- Dependencies can include anticipated business changes, services or groups that are retained by the client, linkages with other services or business processes in the client organization, or relations with client subsidiaries or other client groups.

g) Identify and prioritize key assumptions and risks to be confirmed.

3. Confirm information about resources used in service delivery.

a) Identify personnel to be transferred, as applicable.

b) Provide information about personnel to be transferred, as applicable.

b) Identify assets to be transferred to the potential service provider.

- Assets may include technology Infrastructure, capital assets, or facilities that will be transferred to the service provider.

c) Identify technology infrastructure that will be used for service delivery or that the organization will need to integrate with potential service provider's infrastructure.

d) Identify liabilities to be transferred to the potential service provider.

- For example; these liabilities may include annual licensing fee and accrued benefits for employees to be transferred, as applicable.

4. Define staffing, cost and performance baselines for current service delivery.

- Analysis of current baselines is typically done through a baseline assessment or an analysis of historical performance. Service levels may be defined in service level agreements, or operational level agreements, if such agreements are in place for in-house service delivery.

a) Define staffing (effort) baselines.

b) Define cost baselines.

c) Define performance baselines.

5. Identify and confirm current contractual requirements.

- Contractual requirements could include supplier contracts, leases, software licenses, and client or partner agreements. Refer also to thr03, "Intellectual property."

6. Identify and confirm applicable security and privacy requirements.

- Refer to thr04, "Security and privacy."

7. Identify and confirm applicable standards, and statutory and regulatory requirements.

- Refer to thr05, "Compliance."

8. Document the services to be provided and service conditions.

- Service conditions describe how the service is to be performed. Service levels address the performance standards for the service, while service conditions address how these services are to be performed.

c. Support the implementation of defining and documenting the services and service conditions.

pln03**Sourcing Planning**

Initiation

Level 2

Procedure

Service Provider Selection Procedures**Establish and implement procedures to select service providers.**

Procedures to select a service provider enable a client to achieve the sourcing objectives of the business function. Establish detailed procedures that require service providers to answer specific requests in a way that allows the client to compare responses and correlate data. Clients should provide sufficient flexibility for service providers to elaborate value-added or differentiated components of their service offerings.

The greater the importance of the potential sourcing activity, the more attention should be given to the service provider selection procedures. The objectives of the sourcing strategy will influence the level of attention that the client will give to the provider selection procedures. For example, in the case of sourcing critical business activities, service provider selection is a strategic decision that will involve input from senior management and other key stakeholders.

This Practice is closely related to pln04, “Evaluation criteria,” pln05, “Prepare service requirements,” spe01, “Communicate requirements,” spe02, “Evaluate potential service providers,” and spe03, “Select candidate service providers,” as each of these Practices implement the procedures defined and documented in this Practice.

Activities**a. Provide support for creating and maintaining the procedures for selecting potential service providers.****b. Document and implement the procedures required for selecting potential service providers.**
Documentation and implementation include the following Activities:

1. Establish service provider selection team.

- The service provider selection team composition depends upon the service being sourced. For instance, if the service being sourced is critical to the organization, it may be required to include senior management in the selection team. Other governance teams were identified in app03, “Governance model;” however, the service provider selection team may require personnel competencies not included in the ongoing governance teams, so it is established here for the purposes of supporting service provider evaluation and selection.

a) Identify the personnel competencies required for the service provider selection.

- The personnel competencies required for service provider selection may include market sector expertise, service expertise, technical skills, negotiation skills, communication skills, listening skills, and comprehension skills.

b) Assign personnel to the service provider selection team, based on the competencies required.

c) Identify roles, responsibilities and authorities of personnel assigned to the service provider selection team.

- Roles, responsibilities and authorities depend on the phase of service provider selection process—e.g., requirements gathering and definition, requirements documentation, prospective service provider selection, requirements communication, preparing response to queries and clarification required by the potential service providers, evaluation criteria definition, service provider response evaluation, confirming existing conditions, negotiations, or service provider selection.

d) Provide training to the personnel assigned to the service provider selection team, as appropriate.

2. Define solicitation approach, based on the approved sourcing approach.

- Refer to app01, “Sourcing approach,” and app05, “Sourcing initiation decision.”
- a) Identify the type of service provider selection.
 - The service provider selection could be specific to selection of a service provider for an identified service, or to select a potential service provider—preferred supplier—for the organization, who could be considered for selection as a service provider for any future sourced service requirements.
- b) Identify service providers to be considered for selection.
 - Based on the requirements, the service providers could be considered from among the preferred service providers, or service providers currently providing services, or other service providers in the market, or a combination of these. Preferred suppliers will already have been analyzed for their capabilities and the organization can then select the preferred service providers whose capabilities enable them to meet the identified requirements. Service providers may also include an internal bid for how they existing function would propose to offer the service in the future.
- c) Identify service provider evaluation approach.
 - Request for Information (RFI), Request for Proposal (RFP), Request for Quote (RFQ) or a combination of these could be used for selection of the service providers. A combined approach—e.g., RFI and RFP would require a two-stage selection, then shortlisting candidate service providers from RFI stage to whom the RFP will be issued.
- d) Identify service provider selection approach.
 - Service provider selection may be in stages—evaluation of RFI/ RFP, followed by confirming existing conditions, followed by negotiations.
- e) Identify the involvement of candidate service providers.
 - The organization should determine the desired level of involvement of candidate service providers in service definition (pln02, “Service definition”), negotiations (agr03, “Negotiations”), and confirming existing conditions (agr02, “Confirm existing conditions.”).
- f) Define the approach to respond to service provider queries and clarifications.
 - Identify contact personnel within the organization for receiving and responding to queries and clarification sought by the service providers. The response to queries and clarifications could be sent only to the service provider who sought the response, or to all service providers to enable a common understanding of the requirements and hence enable a fair comparison of their responses.

3. Define service provider evaluation and selection approach.

- a) Identify requirements that service providers need to meet.
 - Refer to pln02, “Service definition,” regarding the definition of service and service conditions requirements.
- b) Prepare requirements to communicate to the service providers.
 - Refer to pln05, “Prepare service requirements, regarding the definition of the requirements for service and service conditions to be communicated to service providers.
- c) Define criteria for selecting service providers based on the identified requirements.
 - Refer to pln04, “Evaluation criteria,” regarding the establishment of the evaluation criteria to be used in service provider selection.
- d) Evaluate and select service providers based on the schedule, approach and identified criteria.
 - Refer to spe02, “Evaluate potential service providers,” and spe03, “Select candidate service providers.”

Service Provider Selection Procedures cont'd

- e) Communicate results of the service provider selection to candidate service providers.
- f) Obtain approval of commitments between the client organization and the service providers.
 - Refer to spe03, "Select candidate service providers."
- g) Create and maintain a formal agreement with the selected service providers, verifying that the agreement meets identified requirements.
 - Refer to agr06, "Create agreements." While most agreements are expected to be contractual in nature, some types may not be legally binding. In these cases, it is nevertheless important for the client organization and the service provider to have a documented agreement on their expected relationships and commitments to each other. The agreement should include provisions for security that adequately satisfy the client organization's policies.

4. Create service provider selection schedule.

- The service provider selection schedule is based on the organizational objectives and schedule for the sourcing opportunity.

5. Track the status and progress of the service provider selection schedule, taking action when appropriate.

- a) Determine actions to take when the progress deviates from the schedule.
- b) Determine actions to take if the service provider selection deviates from the planned procedures.
- c) Take actions and track them to closure.

c. Support the implementation of selecting potential service providers.

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pln04**Evaluation Criteria****Define the evaluation criteria to be used in selecting service providers according to documented procedures.**

Sourcing Planning
Initiation
Level 2
Procedure

The criteria for evaluating service provider responses should be developed before the solicitation is issued. The main principles for rating should be incorporated in the solicitation itself. The sourcing management team should prepare criteria that are consistent with the sourcing approach, selected governance model, and services and service conditions to be provided by the service providers. The sourcing management team should agree to criteria that will be used to sort and select from the service provider's responses. These criteria would normally consist of the essential pre-selection criteria (if any) and other essential criteria for selection. These criteria should be used in analyzing possible sourcing decisions using a formal evaluation process that evaluates service provider responses against established criteria. This formal evaluation process reduces the potentially subjective nature of the sourcing decision and has a higher probability of selecting service providers that meet the multiple demands of the involved stakeholders.

The evaluation criteria should provide the basis for evaluating between potential service providers. The criteria are often ranked so that the highest ranked criteria exert the most influence on the evaluation. Both quantitative and qualitative criteria can be used in the service provider evaluation process. Qualitative criteria may use a subjective ranking scale (e.g., high, medium, low). The criteria used may reflect actual data or may use weights to reflect the relative importance of the criteria.

Documenting the evaluation criteria can minimize the possibility that decisions will be second-guessed, or that the reason for making the sourcing decision will be forgotten. Decisions that are based on criteria which are explicitly defined and established remove barriers to stakeholder buy-in.

Activities

- a. **Provide support for creating and maintaining the work products and tasks for defining the evaluation criteria to be used in selecting service providers according to documented procedures.**
- b. **Document and implement the work products and tasks required for defining the evaluation criteria to be used in selecting service providers according to documented procedures.**

Documentation and implementation include the following Activities:

1. Establish team for defining evaluation criteria.
2. Identify objectives for service provider selection.
3. Analyze requirements for service provider selection, as appropriate.
4. Define evaluation and selection criteria for use in selecting service providers, based on the identified objectives and requirements.
 - The evaluation criteria are based on the approach or stages of service provider selection and the requirements. The evaluation and selection criteria include capabilities such as prior experience in providing similar services or products, minimum capacity in terms of resources, location, statutory issues, and market share. Other capabilities that should be considered include a track record that demonstrates the capability to deliver required quality within required delivery schedules; pricing; referrals from past and existing clients; personnel skills, including project management and organizational skills; management systems; financial strength and stability; risk management; security; and infrastructure reliability, including redundancies and business continuity preparations.

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- a) Determine parameters and criteria for selecting the prospective service providers.
 - b) Determine parameters and criteria for evaluating responses to the communicated requirements.
 - c) Determine parameters and criteria for confirming existing conditions, as appropriate.
 - Tasks for collecting data and confirming assumptions are often referred to as “due diligence.” This term is not used here because of legal implications in some industries. These tasks are conducted based on specific key requirements, expected capabilities, anticipated risks, service providers’ response to communicated requirements, and may involve visits to the service provider locations. Refer to agr02, “Confirm existing conditions,” regarding these confirmatory activities.
 - d) Determine parameters and criteria for negotiations, as appropriate.
 - Negotiations are conducted based on factors including specific requirements, expected capabilities, service providers’ response to communicated requirements, and findings from confirming existing conditions.
5. Create evaluation scorecards for evaluating prospective service providers on identified parameters and criteria, as appropriate.
6. Review and approve the evaluation scorecards for evaluating prospective service providers.
7. Communicate the approved evaluation criteria and the evaluation scorecards for evaluating prospective service providers to relevant stakeholders.
8. Maintain evaluation criteria and the evaluation scorecards for evaluating prospective service providers.
 - Evaluation criteria and evaluation scorecards may need to be modified based on the requirements or, in some instances, based on responses from the prospective service providers.

c. Support the implementation of defining the evaluation criteria to be used in selecting service providers.

pln05

Prepare Service Requirements

Sourcing Planning

Initiation

Level 2

Procedure

Prepare requirements to communicate to prospective service providers according to documented procedures.

The client organization may communicate to prospective service providers through inquiries, requests, solicitations or requirements. These requirements must be documented in a way that clearly establishes service definitions; service expectations and business needs; and statutory, regulatory, and legal requirements. Basically, these requirements outline the potential agreement with the service provider for their services. It also provides a baseline for agreements like costs, payments, changes to agreements, and termination. It should be clear and comprehensive, in order to allow service providers to assess quickly and accurately their ability to satisfy the client's requirements. The objective should be to attract the most responses from the most qualified providers. Many promising relationships have foundered because of miscommunication about expectations, so client organizations should provide as much information as possible to give service providers a good understanding of what is expected of them. This document should clearly communicate the requirements of the client organization to prevent any ambiguity in service provider selection or later service delivery by service providers.

This Practice is closely related to pln02, “Service definition” and pln03, “Service provider selection procedures,” and spe01, “Communicate requirements.”

Activities

- a. Provide support for creating and maintaining the work products and tasks for preparing requirements to communicate to prospective service providers according to documented procedures.**
 - b. Document and implement the work products and tasks required for preparing requirements to communicate to prospective service providers according to documented procedures.**
- Documentation and implementation include the following Activities:**

1. Identify documents to prepare for communicating requirements to the prospective service providers.
 - Based on the service provider selection approach, the documents could be RFI, RFP, RFQ, or a combination of these.
2. Identify requirements to be communicated to the prospective service providers.
 - Requirements include scope of the service, service conditions, expected performance, service provider capabilities that the client organization expects, etc. Requirements are usually specific to a sourcing engagement. However, they may be broader and based upon organizational needs—e.g., selection as a preferred service provider. Refer to pln02, “Service definition,” for service definition requirements. All requirements gathered need not be communicated to the prospective service providers. Based on the selection approach, requirements can also be progressively communicated to the prospective service providers. The client organization may also include any other information (e.g., service provider selection process including queries and clarifications on the requirements document, service provider selection schedule, terms and conditions for responding to the requirements, or evaluation parameters).
 - a) Determine the scope of the service.
 - b) Determine expected service levels.
 - c) Determine expected service conditions.
 - d) Determine the current backlog of requests that will be assumed by the potential service provider.

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- e) Determine estimates of the backlog of requests that have not been submitted, but are anticipated.
 - f) Determine current systems and infrastructure.
 - g) Determine dependencies that may impact service delivery.
 - Dependencies can include anticipated business changes, services or groups that are retained by the client, linkages with other services or business processes in the client organization, or relations with client subsidiaries or other client groups.
 - h) Determine key assumptions and risks to be confirmed.
 - i) Determine current staffing baseline.
 - j) Determine staffing plans and requirements.
 - k) Determine the technology infrastructure that will be used for service delivery or that the organization will need to integrate with the potential service provider's infrastructure.
 - l) Determine liabilities to be transferred to the potential service provider.
 - m) Determine current performance baselines.
 - n) Determine cost baselines.
 - Cost baselines may include prior or future years, as well as the base year.
 - o) Determine pricing model.
 - p) Determine relevant existing contractual requirements, including existing contracts that are to be transferred.
 - q) Determine applicable security and privacy requirements.
 - r) Determine applicable standards, and statutory and regulatory requirements.
 - s) Determine the agreement and legal requirements.
 - This could be a template or a draft of the proposed agreement. It may provide the text of the agreement, relevant terms and conditions, and any necessary supplements.

3. Create the document for communicating requirements to prospective service providers, based on the requirements.

- a) Verify that the document for communicating requirements to prospective service providers addresses the identified requirements.
- b) Verify that the document for communicating requirements to prospective service providers addresses the required evaluation criteria.
 - Refer to pln04, "Evaluation criteria," for the definition of the relevant evaluation criteria.
- c) Coordinate review by relevant stakeholders of the document for communicating requirements to the prospective service providers.
 - Reviews should ensure completeness and consistency. Stakeholders may include subject matter experts (SMEs), legal, finance, human resources, information technology, and the affected business units.
- d) Obtain review and approval from relevant stakeholders of the document for communicating requirements to the prospective service providers.

c. Support the implementation of preparing requirements to communicate to prospective service providers.

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Service Provider Evaluation



The Sourcing Provider Evaluation Practices focus on soliciting potential service providers, screening the set of potential service providers, and selecting the preferred service providers. These Practices help in comparing and assessing alternative solutions and service providers in their ability to create business value, benefits and cost savings, delivery service quality, and flexibility to accommodate business changes throughout the planned duration of the agreement. All Sourcing Provider Evaluation Practices are in the Initiation phase of the Sourcing Life-cycle. These Practices cover the following:

- Service provider selection: Soliciting, evaluating, and selecting potential service providers.

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Communicate Requirements

Communicate requirements to prospective service providers according to documented selection procedures.

Sourcing Provider Evaluation

Initiation

Level 2

Procedure

As the client organization moves to selecting potential service providers, it must have some mechanism for communicating requirements and soliciting responses from the service providers who may wish to provide services to the client organization. This could be through ongoing relationships and contacts with service providers or could be through more formal mechanisms, such as Requests for Information (RFI) and Requests for Proposal (RFP). Engaging potential service providers is critical to having a qualified pool of service providers to select from.

Many organizations choose to solicit the internal functions to provide services, generating an internal case for comparison, as well as impetus for possible internal improvements. Organizations that invited both internal and external bids had a higher relative frequency of success than organizations that merely compared a few external bids to current performance [Lacity 1995, 1998, 2001].

Failure to follow standard procedures in soliciting prospective service providers can lead to inconsistencies in responses, potential for poor communications between the client and service provider organizations, and serve as a potential source of risks or failures in future activities. Consistency in actions with prospective service providers may also be required for compliance with ethical and legal requirements on the selection process.

This Practice is closely related to pln05, “Prepare service requirements.” This Practice provides the communication necessary to inform potential service providers of the client organization’s needs, so that these service providers may provide the responses related to spe02, “Evaluate potential service providers.” Procedures for service provider selection are defined in pln03, “Service provider selection procedures,” and the requirements to be communicated are defined in pln05, “Prepare service requirements.”

Activities

a. Provide support for creating and maintaining the work products and tasks for communicating requirements to prospective service providers according to the documented selection procedures.

b. Document and implement the work products and tasks required for communicating requirements to prospective service providers according to the documented selection procedures. Documentation and implementation include the following Activities:

1. Establish team or contact for communicating requirements to prospective service providers.

→ Alternative back-up contact personnel could also be identified, to facilitate required communication in the event of primary contact's absence.

2. Select methods and media for communicating requirements.

→ The requirements to be communicated are documented in pln05, “Prepare service requirements.” Selection of methods and media is intended to ensure that potential service providers are adequately briefed, informed and involved. Communication methods include usage of standard templates, forms, and structured meetings. Structured meetings typically have an agenda, mechanisms for handling conflicts and reaching conclusions, and records of what transpired. Factors considered in choosing specific methods include location, personnel, type of information exchanged, extent of details communicated, and understandability of terms.

3. Define methods for responding to queries and clarifications.

4. Identify schedule for communicating requirements to prospective service providers.

- The overall schedule for selecting service providers was developed in pln03, “Service provider selection procedures.” The information that should be communicated to service providers regarding schedule may include the schedules for releasing documented requirements (RFI, RFP, and RFQ); confirming existing conditions; receiving queries and clarifications required by potential service providers, and responding to queries and clarifications raised by potential service providers.

5. Identify prospective service providers to be considered in the service provider selection process.

- Once the requirements communications team has been established, researching the service provider market to identify prospective service providers occurs, based on the needs of this sourcing action. Refer to knw03, “Market information.”

6. Identify contact personnel for each of the prospective service providers.

- All communication regarding the requirements and service provider selection should be between the contact personnel for the client organization and the designated contact personnel of the potential service providers.

7. Communicate requirements to the prospective service providers.

- Communication of the requirements is based on the schedule and the approach (e.g., RFI, RFP, or RFQ). Refer to pln05, “Prepare service requirements,” regarding the preparation, review and approval of the document for communicating requirements to prospective service providers.

8. Maintain documentation on the communication and acceptance by the prospective service providers.

- Communication of requirements is typically performed by the client interaction team, since it is likely to have the most detailed knowledge about the client requirements.

9. Respond to queries and clarifications required by the prospective service providers.

- a) Collect queries and clarifications required by the prospective service providers.
- b) Identify relevant personnel for obtaining responses to queries and clarifications required by the prospective service providers, based on the type of query and the service provider selection team assignment.
- c) Coordinate responses to queries and clarifications required by the prospective service providers with the relevant personnel.
- d) Respond to queries and clarifications required by the potential service providers.

10. Collect responses to the requirements from the potential service providers.

11. Communicate responses to requirements from the potential service providers to relevant stakeholders.

- Not all portions of all responses need be distributed to all stakeholders. For example, a cost and financial analysis team may review the financial aspects of the response. Refer to spe02, “Evaluate potential service providers,” regarding this evaluation.

12. Maintain records of the requirements, responses to queries and clarifications required by the potential service providers, and the responses to requirements from the potential service providers.

c. Support the implementation of communicating requirements to prospective service providers.

spe02

Evaluate Potential Service Providers

Evaluate potential service providers using documented criteria and selection procedures.

Sourcing Provider Evaluation

Initiation

Level 2

Procedure

Evaluate potential service providers against the criteria previously identified. The potential sourcing activity will not meet the business objectives if the service provider cannot deliver on the requirements of the client.

Many aspects, including the strategic alignment, reputation, references, experience, financial goals, risk, resource capabilities, and information security should be considered while choosing the service provider. In relation to the sourcing of critical activities, the client should give significant attention to evaluating a service provider for a close collaborative relationship. This will involve a thorough review of potential service providers by the client and may involve visits to the service provider's facilities, interviews, presentations, and information sharing. This interaction could occur at both the operational and strategic level.

This Practice is closely related to pln04, "Evaluation criteria" and spe03, "Select candidate service providers." Procedures for service provider selection are defined in pln03, "Service provider selection procedures," and the criteria for selecting service providers are defined and documented in pln04, "Evaluation criteria."

Activities

a. Provide support for creating and maintaining the work products and tasks for evaluating potential service providers according to the documented selection procedures.

b. Document and implement the work products and tasks required for evaluating potential service providers according to the documented selection procedures. Documentation and implementation include the following Activities:

1. Establish team for evaluating potential service providers.

→ The service provider selection team was established in pln03, "Service provider selection procedures." However, the evaluation team should be a broad, cross-functional team, comprising the personnel competencies or perspectives required to effectively evaluate potential service providers. The composition of the evaluation team depends upon the selection process. For example, if the selection process includes RFP and due-diligence, the team composition may be different for evaluating responses to RFP and for conducting due-diligence, or for conducting the final selection. If this is the case, establish a team for evaluating potential service providers.

2. Create detailed schedules for evaluating potential service providers.

→ The service provider selection schedule was established in pln03, "Service provider selection procedures," and should be elaborated into a detailed schedule of tasks for evaluating potential service providers.

3. Perform an initial review to determine if responses from service providers are in compliance with communicated requirements.

→ Compliance checks may include compliance with the form and manner requested, including timely submission, and that all mandatory conditions have been met. Following this review, any non-compliant proposals are handled according to documented selection procedures.

4. Collect information on potential service providers and their ability to meet identified requirements.

→ Refer to knw03, "Market information."

a) Collect market research data, such as market performance and market presence.

b) Interview customers of potential service providers.

c) Verify the financial solvency of the potential service providers.

5. Evaluate responses from potential service providers.

→ These responses were received in responses to the organization's communication of its requirements, irrespective of whether the mechanism used was a RFI, a RFP, an RFQ, or some other mechanism.

a) Review evaluation scorecards for evaluating responses from potential service providers.

b) Analyze and evaluate responses from potential service providers, based on the evaluation scorecards.

c) Obtain clarifications, as necessary.

d) Identify potential service providers for the next stage of service provider selection process, as appropriate.

→ This short list of providers is sometimes created to narrow the competitive field, and manage the complexity of the service provider selection process.

6. Evaluate data received from service provider references.

7. Evaluate potential service providers during activities to confirm existing conditions, as appropriate.

→ Refer to agr02, "Confirm existing conditions" regarding activities to confirm existing conditions.

a) Review evaluation scorecards from the activities to confirm existing conditions on potential service providers.

b) Analyze and evaluate existing conditions and evaluate potential service providers, based on the evaluation scorecards.

c) Shortlist potential service provider for the next stage of service provider selection process, as appropriate.

8. Evaluate potential service providers during negotiations, as appropriate.

9. Analyze and evaluate financial models associated with the responses and negotiations.

a) Analyze and evaluate each proposal using a formal, standardized pricing model.

→ The client organization should use a formal, standardized pricing model, which allows it to make like-for-like comparisons across different service providers, and forces service providers to consider the risks of not being able to recover costs or add services later on, because everyone has to price the deal in exactly the same way. However, the client organization may permit a service provider to submit an alternative pricing scheme if the service provider believes that this would be a better approach. In this situation, the service provider must document all of its pricing assumptions and freely share that information with the client"

b) Perform a life-cycle cost analysis of each proposal.

→ A life-cycle cost analysis of each proposal considers all of the costs of the services over the life of the agreement, including initial and future capital, transition and ongoing operations. This analysis highlights areas where additional information may be required from the potential service provider or where particular attention is required in the due diligence phase of the process.

c) Review funding arrangements, applying confirmed estimates to the relevant sections of the business case and comparing costs with the original estimates.

→ Successful organizations often assess the validity of submitted bids by comparing them not only to the business case, but also against a newly submitted internal bid or future plan for the service, not against current performance of the sourced service.

Evaluate Potential Service Providers cont'd

10. Evaluate potential service providers based on their proposed schedule and approach, using identified selection criteria.

- a) Analyze the schedules proposed by potential service providers.
- b) Analyze the ability of prospective service providers to meet identified requirements.
 - This ability should be demonstrated through one or more of the following mechanisms: prospective service providers' response to communicated requirements (i.e., through responses to an RFI/ RFP/ RFQ), confirmation of existing conditions, and negotiations).
- c) Analyze the prospective service providers based on the identified selection criteria.

11. Identify candidate service providers, based on the service provider evaluation results.

- a) Communicate service provider evaluation results to relevant stakeholders.
- b) Collect evaluation results for the service providers under consideration for final selection, as appropriate.
- c) Document and communicate results to relevant stakeholders.
- d) Maintain records of the potential service provider evaluation.

c. Support the implementation of evaluating potential service providers.

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Select Candidate Service Providers

Select candidate service providers according to the documented selection procedures.

For the final selection decision, each service provider will be evaluated against their ability to meet the identified criteria.

By following the documented selection procedures, the client should be able to use the appropriate evaluation criteria, gather the necessary objective data, and guarantee that its overall selection process proceeds in a structured format. The client will also end up with a “paper trail”, which can be useful if there is a need to explain how they arrived at a specific selection.

This Practice is closely related to pln03, “Service provider selection procedures,” which defines procedures for service provider selection.

Activities

a. Provide support for creating and maintaining the work products and tasks for selecting candidate service providers according to the documented selection procedures.

b. Document and implement the work products and tasks required for selecting candidate service providers according to the documented selection procedures. Documentation and implementation include the following Activities:

1. Create detailed schedules for selecting candidate service providers.

- The service provider selection schedule was established in pln03, “Service provider selection procedures,” and should be elaborated into a detailed schedule of tasks for evaluating potential service providers.

2. Review service provider responses and service provider evaluation results.

3. Conduct discussions with the identified service providers.

- a) Communicate expectations the organization has of the service providers, based on the identified requirements.

- b) Understand the expectations the service providers have of the client organization, in order to meet their commitments.

- c) Clarify rights, responsibilities, and ownership of current and future intellectual property.

- d) Understand the ability and willingness of candidate service providers to satisfy identified commitments.

4. Select candidate service providers, based on the selection criteria and their ability to meet identified requirements.

- Select capable service providers in order to help ensure consistency in meeting requirements and service levels. Failures of incapable service providers could lead to the failure of the engagement and possible legal action.

- Service providers can be selected from a short list of preferred suppliers. Preferred suppliers will already have been analyzed for their capabilities and the organization can select those service providers whose capabilities enable them to meet the identified requirements.

5. Obtain approval on commitments between the client organization and the selected candidate service providers.

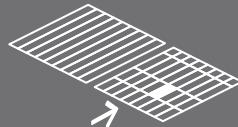
- a) Document the expectations the organization has of the selected candidate service providers, based on the identified requirements.
- b) Document the expectations the selected candidate service providers have of the organization, in order to meet their commitments.
- c) Analyze rights, responsibilities, and ownership of current and future intellectual property.
- d) After receiving inputs from the members of the selection team, reevaluate the selection to ensure objectivity and consistency.
- e) Make the final service provider selection decision.
- f) Obtain approval of the selected candidate service providers from relevant stakeholders.
- g) Maintain records of the final service provider selection.

c. Support the implementation of selecting candidate service providers.

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Sourcing Agreements



The Sourcing Agreements Practices focus on carrying out service confirmation, negotiating terms and conditions of the agreements (including SLAs, etc), and entering into an agreement with the selected service providers. This Capability Area also has Practices dealing with renegotiation and making changes to agreements. All Sourcing Agreements Practices are in the Initiation phase of the Sourcing Life-cycle. These Practices cover the following:

- Negotiations preparations: Preparing for negotiation by having an organizational position on cost and other topics that need to be negotiated.
- Defining targets and measures: Defining formal service level agreements and service provider performance measures.
- Confirming capabilities: Understanding service provider's capabilities by gathering information about the service provider. Working with service providers to confirm the assumptions that impact commitments.
- Negotiations: Establishing a formal agreement with service providers that clearly documents and communicates the clients' and service provider's responsibilities and commitments.

agr01**Negotiations Guidelines****Establish and implement guidelines for negotiations with service providers.**

Sourcing Agreements
Initiation
Level 3
Guideline

Establish negotiation guidelines in order to aid internal coordination and ensure that an agreement is reached that support the objectives of both the client organization and the service provider. Formal negotiation guidelines support the client organization's ability to consistently and effectively negotiate with service providers. Having these guidelines provides a structured approach to negotiation, which can improve the internal stakeholder's confidence in the sourcing organization. Guidelines also help protect the client organization from legal or performance issues by verifying that the necessary aspects of negotiations are covered.

This Practice is related to agr03, "Negotiations." Planning is covered in this Practice, but its main focus is on providing consistency in negotiations across service providers and within the sourcing organization's activities.

Activities

a. Provide support for creating and maintaining the guidelines for negotiations with service providers.

b. Document and implement the guidelines required for negotiations with service providers.
Documentation and implementation include the following Activities:

1. Identify guidelines for the composition and roles of the negotiation team.

→ The makeup of the negotiation team may vary based on the type and stage of negotiations. Skills to consider include commercial negotiation (e.g., pricing), technical negotiations (e.g., service levels and operational details), and legal negotiations (e.g., terms and conditions). The specialists on the negotiating teams may include in-house technical experts with deep understanding of the company's requirements; external consultants who can assist in translating those internal requirements into the service provider's requirement; and a contracts lawyer specializing in sourcing who can detect hidden costs and clauses in the agreement.

a) Decide appropriate representation from each relevant, major organizational unit on the negotiation team.

b) Assign a lead for the negotiation activities.

→ The negotiation team should be led by an individual with experience and skills in contract negotiation, who is also familiar with current trends in sourcing agreements. The team should include the individual who will have primary responsibility for managing the agreement. The service provider should be required to include on its negotiation team the individual who will have primary on-site responsibility for managing the service delivery. This will promote a common understanding of the intent of specific provisions of the agreement and commitments made during the negotiating process.

→ While the negotiating team should be headed by an experienced manager and include a variety of specialists, it often does not include the CEO or executive leadership. These individuals are typically not involved in negotiations, but provide the negotiations team with their charter and authority.

c) Decide how the client organization will use third-party experts.

→ During negotiations, the client organization may choose to use technical or legal experts to represent their interests.

2. Define the decision-making rules to be used during negotiations.

a) Identify the negotiation approach to take for each type of service.

- Negotiation approaches may vary considerably between services and industries. Some services may have few negotiation issues, with service options and prices being predefined. Other services may be very complicated and be able to be tailored considerably to meet client organization needs. A defined approach helps negotiators be consistent and have negotiation topics for each service prepared in advance.

b) Identify the constraints of the negotiation team.

- The negotiation team should have clear rules for how decisions will be made and approved, and what negotiation parameters exist. For instance, if the organization has strict budget requirements, these should be clearly understood and used as the basis for negotiation decisions. Negotiation parameters should include guidance on which issues the team has more flexibility to negotiate, and on what decisions the team can make on their own without having to get approval. For example, a client organization may establish the constraint that the negotiating team may not approve a service provider's standard contract.

3. Identify a set of negotiation topics.

- Negotiation topics can be based on prior negotiations; service provider responses to communicated requirements, existing organizational guidelines, policies, and procedures; organizational objectives; market information about services being sourced; and information known about the service provider.

4. Define the organization's position on the identified topics.

- The client organization's position may be guided by prior experiences, organization and sourcing objectives, characteristics of the sourced service, and information on current practices.

5. Define the organization's approach for confirming existing conditions.

- The organization's approach may treat confirming existing conditions as a one-time negotiating or transfer activity, or it could be designed to occur in multiple increments, leading to a final "true-up" baseline.

a) Identify constraints for data collection.

b) Determine schedule for data to be produced.

c) Determine conditions for data security and privacy protection.

d) Determine coordination requirements with the service provider.

e) Determine approach to confirming service level agreements and performance measures, consistent with the organization's service level management approach.

- Refer to gov01, "Sourcing policy," for guidelines regarding the organization's service level management approach.

c. Support the implementation of negotiations with service providers.

agr02

**Sourcing Agreements**

Initiation

Level 2

Guideline

Confirm Existing Conditions

Establish and implement guidelines to confirm existing conditions.

Establish and implement guidelines for allowing client organizations and service providers to review and confirm the assumptions that are critical to meeting the client's requirements before committing to them in order to help mitigate risk. This review includes validating the personnel to be transferred and their competencies, as well as confirming the knowledge, assets, and intellectual property to be transferred. Doing this helps mitigate risk by verifying that the service provider is making its commitments based on a clear understanding of the client organization's current service delivery environment. It also helps to confirm the amount of effort required for service design and deployment tasks, as well as to verify that pricing is decided appropriately.

Client organizations may also need to confirm existing conditions regarding the service provider. This may include site visits, detailed financial analyses, review of resources and their availability, and confirmation of readiness to deliver the services.

When planning data collection tasks, the client organization should consider that internal clients are often sensitive to the amount of visibility that the service provider's personnel have to client information. Client organizations should ensure that potential service providers are particularly attentive to security and intellectual property concerns while confirming existing conditions. The client and potential service provider must ensure that information is adequately controlled. Tasks for collecting data and confirming assumptions are often referred to as "due diligence." This term is not used here because of legal implications in some industries.

Activities

- a. Provide support for creating and maintaining the guidelines for confirming existing conditions.**
- b. Document and implement the guidelines for confirming existing conditions. Documentation and implementation include the following Activities:**
 1. Create an approach for collecting data which is aligned with client requirements and business objectives.
 - Confirming conditions is one form of due diligence. It is often a final step before an agreement is entered into. Confirming conditions may be done with a joint team and it should cover all aspects of the future agreement including sites, staffing, organizational skills, documentation and environment.
 - Candidate service providers usually expect full access to data and the clients are often sensitive to issues associated with giving potential service providers full access to data—e.g., full access to data may require involvement of personnel who are not aware that sourcing negotiations are underway. The approach to collecting and validating data needs to consider all the sensitivities and genuine requirements.
 - a) Identify and prioritize key assumptions and risks to be confirmed.
 - b) Identify sources and classes of information needed to confirm each assumption and risk, as appropriate.
 - c) Coordinate with service providers to identify requirements or constraints on confirming existing conditions.
 - Example of items to be coordinated could include information needed, access requirements, schedule, resource availability, and procedures for confirming existing conditions.

2. Confirm assumptions about current service delivery.

- The organization needs to verify that the scope of service is clearly understood, defined, and documented. Confirming the scope of services involves confirming key attributes for each service, including outputs, resource requirements, responsibilities, service level expectations, schedule requirements, etc. In some situations, the data is not available since it has not been tracked while the service was being provided internally. In such instances, assumptions or extrapolations are generally used by the client organization).
- a) Review current policies, procedures, and guidelines.
- b) Review current organizational structure and process model.
 - Refer to opa01, "Define current state."
- c) Review current backlog of requests that will be assumed by the organization.
- d) Create estimates of backlog of requests that have not been submitted, but are anticipated.
- e) Review current systems and infrastructure and identify any issues or risks that may impact service delivery.
- f) Review dependencies that may impact service delivery.
 - Dependencies can include groups that are retained by the client, subcontractors that the client is asking the service provider to use, and client subsidiaries.

3. Confirm staffing, cost, and performance baselines for current service delivery.

- It is critical to confirm basic data about current staffing, cost and performance. These baselines are often referred to as the base case, as opposed to the business case (see app02, "Business case") for sourcing. This enables evaluation of the potential service provider's proposed solution or approach and pricing; and is also useful while negotiations and establishing service levels. Analysis of current baselines is typically done through a baseline assessment or an analysis of historical performance. Service levels may currently be defined in existing service level agreements or operational level agreements, if such agreements are in place for insourced service delivery.
- a) Confirm staffing baselines.
 - Staffing baselines may be based on number of personnel (or head count) or effort, as well as by some combination of effort by role.
- b) Confirm cost baselines, as appropriate.
 - Cost baselines may include prior or future years, as well as the base year.
 - It may be important for the service provider to have a clear understanding of the current costs for service delivery and any costs that will become the service provider's responsibility. To gain this understanding, the client organization may provide data such as financial data about current operating expenses (e.g., taxes, utilities, maintenance, janitorial services), supplier costs, capital expenditures and amortization information, hardware and software expenses, and shared services charges (e.g., receptionist, vending, mail, secretarial support).
- c) Confirm liabilities to be transferred to the service provider.
 - Liabilities include annual licensing fees and accrued benefits (e.g., pension, vacation, or bonuses).
- d) Confirm performance baselines.

Confirm Existing Conditions cont'd

4. Confirm information about resources used in service delivery.

a) Collect information about personnel to be transferred.

→ Information about personnel includes current job title, salary, exempt/non-exempt status, skill inventory, shift assignments, part-time/full-time status, bonus entitlements, standard hours, work location, and benefits (e.g., vacation benefits). For third-party contractors, copies of contracts and relevant information about their assignment should be obtained. Information should also be collected about local labor laws, unions, and any protected labor categories.

b) Identify gaps between the personnel competency requirements and the existing competencies of the personnel to be transferred.

→ When identifying existing competencies of the personnel to be transferred, it is important to collect information about their current roles and responsibilities, identified career development needs, and planned career paths. Identifying personnel that have scarce knowledge or are in critical positions is also helpful.

c) Maintain security of information about personnel.

d) Confirm staffing and productivity assumptions.

→ It is critical to confirm basic data about current productivity rates, particularly if the organization is committing to productivity levels. This data include information about productive hours per employee, absence hours (e.g., vacation, holiday, sick time, other), and any current productivity measurements.

e) Confirm assets to be transferred to the organization.

f) Confirm assumptions about facilities that will be used by the organization.

→ Information about facility requirements includes fire and safety regulations, permits to occupy premises, inspection reports, pending move dates, in-process or planned construction, and upgrades needed.

g) Confirm assumptions about technology infrastructure that will be used by the organization, or that the organization will need to integrate with its infrastructure.

5. Confirm that services can be delivered according to the required service levels.

→ When determining whether services can be delivered according to desired service levels, the organization needs to verify that the scope of service is clearly understood, defined, and documented. Confirming the scope of services involves confirming key attributes for each service, including outputs, resource requirements, responsibilities, key personnel currently providing the service, key clients, service level expectations, and schedule requirements. This is a refinement of the feasibility analysis.

6. Identify and confirm contractual and legal requirements.

→ Contractual and legal requirements can include supplier contracts, leases, software licenses, partners, legislative requirements, and other statutory or regulatory requirements.

c. Support the implementation of confirming existing conditions.

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agr03**Negotiations****Sourcing Agreements**

Initiation

Level 2

Plan

Plan and track negotiations with service providers.

Plan and track negotiations in order to identify and monitor the key topics that require consensus and capture in the formal agreement between the parties. Effectively tracking the progress of service provider negotiations helps the client organization to systematically ensure that all of the important issues are addressed during the negotiations. In addition, planning for the negotiation and clearly identifying the key topics reflects a degree of preparation that enhances internal client trust in the capabilities of the organization, which aids in establishing positive relationships.

Negotiation serves to refine the exact wording of the governing documents; it is not a give and take regarding the intent of the arrangement. At the time of negotiating, the agreement and SLAs have already been developed, and the service provider's preferred alternatives typically presented, and the conditions have been confirmed.

Sourcing organizations should be particularly wary of security and intellectual property concerns during negotiations. The client organization and service provider must ensure that information is adequately controlled.

Activities

a. Provide support for creating and maintaining the work products and tasks for planning and tracking negotiations.

b. Document and implement the work products and tasks required for planning and tracking negotiations. Documentation and implementation include the following Activities:

1. Identify a team responsible for planning and negotiating with the service provider.

- Team members may include personnel from finance/ procurement, technical, business, legal functions, as appropriate; with required competencies for negotiations.

2. Identify an initial set of topics to negotiate.

- Negotiation topics can be based on prior negotiations; service provider responses to communicated requirements; existing organizational guidelines, policies, and procedures; organizational objectives; market information about services being sourced; information known about the service provider, and the service requirements. Topics to be negotiated may include scope of service, performance standards, pricing, factors for designing and deploying the service, management and control issues, billing and payment terms, termination provisions, security, warranties and indemnities, limitation of liability, use of subcontractors, licensing, mechanisms to be used to amend agreements, issues or disputes management mechanisms, communication channels, technology modification or upgrading, and issues during transfer of service. Initial identification of topics may come from previous contact with the same service provider or from service provider delivering a similar service, the service providers' responses to communicated requirements, or market information collected about either the service providers or the service being sourced.

3. Define the organization's negotiating strategy.

4. Create a negotiation plan.

- a) Document the initial set of topics to negotiate.

- At Capability Level 3, the Initial set of topics can be based upon the set of typical topics identified for each type of service in agr01, "Negotiations guidelines."

- b) Define the organization's position on the identified topics.

- The organization's position may be guided by prior experiences, organization and sourcing engagement objectives, or information on current practices.

c) Create a schedule of milestones and progress reviews.

d) Review the negotiation plan.

5. Ensure that a confidentiality agreement with the candidate service provider is in place.

→ The candidate service provider has to review the client organization's functions to see how its initial response to communicated requirements, or proposal, must be modified to match the actual scope of the work required. This review process may reveal trade secrets to the service provider, so this is an appropriate time to have the service provider sign confidentiality or non-disclosure agreement, if one has not already been signed.

6. Maintain the set of topics requiring client and service provider agreement throughout negotiations with the service provider.

→ Collecting requirements and modifying topics is an iterative process. Identification of a new requirement may result in a modification of topics to negotiate, and modifying negotiation topics may lead to a change in requirements.

a) Communicate the initial set of topics to the candidate service provider.

→ Negotiation is an iterative and often lengthy process. The organization should document and communicate the initial set of negotiation topics early in the process and as an input into formal negotiations.

b) Track status of topics requiring client and service provider agreement throughout negotiations with service providers.

7. Track the status and progress with respect to the negotiation plan.

→ Progress on decisions made about the organization's position, on agreements made with the service provider, and on issues raised related to each negotiation topic should be tracked.

a) Track progress against the schedule of milestones and progress reviews.

→ This may be an extended duration activity, so it important to allow adequate time to negotiate the agreement (e.g., up to 12 months) and to track progress during this time.

b) Determine actions to take when progress deviates from the plan.

c) Take corrective actions and track them to closure.

→ Actions taken include updating negotiation topics and the organization's position on the topics.

c. Support the implementation of planning and tracking negotiations.

agr04



Agreement Roles

Define the roles and responsibilities of the client organization and the service provider under the proposed agreement.

Sourcing Agreements

Initiation

Level 2

Other

Activities

a. Provide support for creating and maintaining the work products and tasks for defining the roles and responsibilities of the client organization and the service provider under the proposed agreement.

b. Document and implement the work products and tasks required for defining the roles and responsibilities of the client organization and the service provider under the proposed agreement. Documentation and implementation include the following Activities:

1. Identify and document the roles and responsibilities of the client organization, service provider, and relevant stakeholders during execution of the proposed agreement.

- The specific roles, responsibilities, and accountabilities of each party must be well defined and understood to support successful relationships in delivering high quality and cost-effective services. The performance and contribution of each party to the success of service planning, management, delivery, and improvement can then be evaluated for effectiveness.
- Roles and responsibilities are identified, based on the tasks to be performed in the sourcing relationship and on inputs from the involved stakeholders. Stakeholders may include suppliers and partners, if they have been selected prior to signing the agreement with the service provider.
- The responsibilities of the client organization during delivery may include providing the inputs for requirements as required; studying and obtaining approval of service designs; supplying the inputs required for performing the service including data, documents, and information at designated intervals; providing feedback and making payments at predefined intervals; establishing and participating in change control mechanisms; answering queries within a specified period; identifying points of contacts for various tasks such as general clarifications, technical queries, and queries relating to account, billing, or payment; designating personnel authorized to track the progress of the agreement, to provide feedback, and to answer queries; and approval of milestones met.
- Responsibilities of the service provider may include identifying contact personnel, sending service design and service delivery plans for approvals, meeting milestones, achieving service levels, maintaining continuity of service in case of disasters or Completion, and training of clients and end users.

2. Determine and document remedial actions to take when the identified responsibilities are not met.

- Refer to rel04, “Issue management,” regarding managing issues between the client organization and its service providers.

3. Obtain review and approval from the relevant stakeholders on the identified roles and responsibilities.

c. Support the implementation of defining the roles and responsibilities of the client organization and the service provider under the proposed agreement.

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agr05**Sourcing Agreements**

Initiation

Level 2

Other

Define SLAs & Measures**Define the formal service level agreements and performance measures for the services and service conditions.**

A Service Level Agreement (SLA) provides a definition of performance for a negotiated service so that both the client and the service provider can be clear about their expectations within a sourcing relationship. SLAs ensure accountability on the part of the service provider and also determine the price and performance expectations of the service. Performance measures need to be established for each important component of the sourced activity. Defining the performance measures allows the service provider to rationalize resources to best meet the client needs and allows the client to ensure that business requirements are being met.

A SLA needs to be in place in order to define the desired outcomes of specific service processes that affect the client organization. Service level agreements and their measures are important because they are generally linked to incentives and penalties that ensure that required SLAs are achieved. In some cases, if the service provider falls too far behind in meeting the service level agreement, it may be considered cause for terminating the agreement, with significant penalties to the service provider. SLA is an important adjunct to the sourcing agreement that defines the outcomes that the client is buying, and stipulates a process for correction if performance does not meet the stated levels.

Most clients and service providers agree that the greatest cause of disputes is the gap in understanding between the results expected by the client and the level of service the service provider intends to provide. Clients will often focus on business results and service providers focus on attaining their specified performance targets. A well-defined SLA will help align these expectations by clearly expressing, up front, the intended levels of services required. Clients should ensure that SLAs and their measurements are meaningful and relate to the end customer or end-user's actual business need.

This Practice is closely related mgt02, "Performance monitoring." At Capability Level 3 gov01, "Sourcing policy," provides policy guidance on establishing service level management approaches.

Activities

a. Provide support for creating and maintaining the work products and tasks for defining the formal service level agreements and performance measures for the services and service conditions.

b. Document and implement the work products and tasks required for defining the formal service level agreements and performance measures for the services and service conditions. Documentation and implementation include the following Activities:

1. Determine service levels for the defined services.

→ Service levels are typically determined based on an analysis of the current baselines of services offered, a review of objectives, a review of end-user and organizational expectations, and an analysis of the availability of each service. At Capability Level 3, refer to gov01, "Sourcing policy" regarding the organization's service level management approach.

a) Review the documented services to be provided, based on the requirements in the service definition.

→ Refer to pln05, "Prepare service requirements," for the requirements that are documented in the service definition and communicated to prospective service providers. Definitions of services include availability of each service, service requests, priority of services, functional and performance requirements, business and technical goals and objectives, clear representation of the needs of the organization and end-users, and organization-imposed constraints—e.g., on standards and security policies.

-
- b) Determine service levels expected during transition.
 - c) Determine service levels expected during service delivery.
 - These service levels should address expectations during normal, or steady state, day-to-day operations.
 - d) Document the schedule for service level reporting.

2. Determine service levels for defined service conditions.

- Service levels are typically determined based on an analysis of the current baselines of services offered, a review of engagement objectives, a review of end-user and organizational expectations, and an analysis of the availability of each service. At Capability Level 3, refer to gov01, “Sourcing policy” regarding the organization’s service level management approach.
- a) Review the documented service conditions to be attained, based on the requirements in the service definition.
 - Refer to pln05, “Prepare service requirements,” for the service conditions that are documented in the requirements communicated to the prospective service providers.
- b) Determine service levels for defined service conditions expected during transition.
- c) Determine service levels for defined service conditions expected during service delivery.
- d) Document the schedule for service level reporting.

3. Define performance metrics to track SLA achievement.

- The goal is to establish measurable and enforceable service-level agreements (SLAs) with the service provider. The SLAs should describe in precise terms the type, scope and nature of all services required, the times when these services should be available, and the level of performance required. It should also include provisions enabling the client organization to measure the service provider’s performance through regular progress meetings and reports.
- a) Determine the attributes to measure for each SLA.
- b) Determine the performance measures for the attributes.
 - The measurement method should define the frequency and granularity of data collection. It should ensure that the data collected are reliable, accurate, and valid.
- c) Involve relevant stakeholders in establishing SLA measures.
- d) Determine the analyses and indicators to be used to review and make decisions about SLA achievement.
 - Indicators provide an evaluation of data in relation to criteria that support decision making. The evaluation may be with respect to requirements, ranges of acceptable performance, stretch goals, expected performance based on historical data, or similar standards.

4. Review and approve the service levels or changes to service levels for the service and related performance metrics.

- Service level achievement related penalties and rewards can also be considered by the client, as a lever on the service provider to ensure achievement of the service provider.
- a) Review the service levels for clarity, correctness, and adequacy.
- b) Verify that the service levels address applicable statutes, regulations, and security requirements.
- c) Review service level achievement related penalties and rewards, as appropriate.

Define SLAs & Measures cont'd

- d) Obtain feedback from the relevant stakeholders.
 - Feedback may be solicited from service providers. The service provider may also be involved during the initial stages of service level definition and the experiences or expertise of service provider in delivering the service to other clients may be leveraged in defining the service levels.
- e) Obtain approvals of the service levels or changes to service levels for the service.
 - These approvals should include service level achievement related penalties and rewards, as appropriate. Changes identified should be analyzed to determine if they represent a change in agreed-upon services and, therefore, need a formal service modification.

5. Document approved service levels in service level agreements with the service provider.

- This should include all service level achievement related penalties and rewards, as applicable. The service level agreements should be documented in (or referred to by) the agreements. Refer to agr06, "Create agreements."

6. Maintain service level agreements.

- Refer to mgt07, "Service change management."

7. Amend agreements, as needed, to document final or modified SLAs in agreements with the service provider.

- Refer to agr07, "Amend agreements."

c. Support the implementation of defining the formal service level agreements and performance measures for the services and service conditions.

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agr06**Create Agreements****Sourcing Agreements**

Initiation

Level 2

Procedure

Establish and implement procedures to create agreements.

Consistently and effectively create legal agreements in order to enable all the parties to have a clear understanding of what services will be delivered and at what level of quality. Given the long-term nature of most sourcing engagements, implementing procedures for creating well-formed agreements and flexibility in the relationship between the client organization and the service provider are critical to success. Formal agreements should clearly address the services required, service levels, terms, conditions, and responsibilities of the involved parties. The intent is to have documented, negotiated, and then approve and execute an agreement with the service provider that will ensure a smooth transition to transfer and delivery of the sourced service by the service provider.

This Practice is closely related to agr07, “Amend agreements,” which covers procedures for making amendments to agreements. While there are similar Activities in both Practices, the focus of this Practice is on the creation of an initial agreement; the focus of agr07 is on managing amendments to the initial agreement and deploying those changes into the current sourcing initiative. This Practice is related to agr03, “Negotiations.”

Activities

- a. Provide support for creating and maintaining the procedures for creating agreements.**
- b. Document and implement the procedures required for creating agreements. Documentation and implementation include the following Activities:**
 1. Identify and verify the required inputs for the agreement.
 - a) Identify agreed-upon client requirements, including client objectives and policies that may impact agreement provisions.
 - Client requirements that have been agreed upon in negotiation form the basis for ensuring the agreement satisfactorily addresses client needs.
 - b) Identify organizational requirements, including engagement objectives and policies that may impact agreement provisions.
 - c) Identify the agreed-to service catalog, service conditions, and SLAs and their measures.
 - d) Identify security and privacy requirements.
 - e) Identify standards and statutory and regulatory compliance requirements.
 - f) Identify licensing requirements.
 - g) Identify intellectual property requirements.
 2. Create a formal agreement with the selected service providers, verifying that the agreement meets identified requirements.
 - While most agreements are expected to be contractual in nature, some types may not be legally binding (e.g., multi-sourcing organizations who have been independently selected by a client, or relationships between two different departments within the same organization). In these cases, it is nevertheless important for the client organization and their service providers to have a documented agreement on their expected relationships and commitments to each other. The agreement describes the agreed-upon requirements and how those requirements are to be satisfied.

→ The agreement should typically include the following:

- A clear description of the scope of services and performance standards for delivery of those services (e.g., Service Level Agreements, milestones, performance measures), as well as the service conditions.
- Management and control provisions, including operational decision-making, long-term direction setting, and work allocation.
- Provisions for security and privacy that adequately satisfy the organization's policies.
- Transition provisions, including time-frames and performance during the transition period.
- Terms and conditions (e.g., billing and payment terms, termination provisions).

3. Address pricing for the service in the agreement.

→ Pricing for services is based on unique requirements and negotiations between the client organization and the service provider.

4. Identify and select the third parties needed to deliver the sourced service, as appropriate.

→ Use of third parties may be stated in the agreement—e.g., for alliances. Depending on the nature of the agreement, the service provider may be taking over the client organization's existing agreements with client's partners and suppliers.

5. Determine the conditions that may require agreement actions and include appropriate amendment provisions in the agreement.

a) Describe the circumstances that require agreement amendment.

→ Agreement amendment provisions typically include volume changes, service level changes, scope changes, regulatory changes, and structural changes (e.g., mergers and acquisitions).

b) Describe circumstances for renewal, renegotiation, or termination, including the conditions under which these actions will be allowable.

→ The agreements should typically provide for termination at normal expiration (or termination) of the agreement, for cause, for convenience, or upon change in control. The agreement should also include a formal countdown to renewal. For example, six months before the agreement's end, the parties should be required to indicate their intentions with regard to renewing the agreement.

6. Obtain review and approval of the completed agreement by the client organization and service providers.

a) Verify that the agreement commitments meet identified requirements.

b) Identify and assess risks that impact the ability of the organization to meet the proposed agreement commitments.

c) Identify and track changes to agreement provisions during negotiations.

d) Review completed agreement.

e) Obtain approvals from relevant stakeholders.

f) Retain the approved and documented agreement.

c. Support the implementation of creating agreements.

agr07

Amend Agreements

Establish and implement procedures to amend agreements.

Modify legal agreements with service providers when business conditions change in order to enable all parties to have a clear understanding of the changes to the sourcing initiative. Given the long-term nature of most sourcing engagements, implementing procedures for amending agreements and flexibility in the relationship between the client and the service provider are critical to success.

This Practice is closely related to agr06, “Create agreements,” which covers procedures for creating agreements. While there are similar Activities in both Practices, the focus of agr06 is on the creation of an initial agreement; the focus of this Practice is on managing amendments to the initial agreement and deploying those changes into the sourced service.

This Practice is also closely related to mgt07, “Service change management.” Service modifications represent the control over any change to the service, no matter the size. It is important for client organizations to be able to analyze these changes and to determine which are small, which are large, and which require a formal amendment to the agreement. This determination varies by service or agreement, but typically, small changes will only require a service modification and will not require significant work to deploy the change into the service delivery. Larger changes will typically require an amendment to the formal agreements. Whether or not a change requires such an amendment, the change should be analyzed to determine if the Initiation Practices need to be re-implemented (e.g., the service definition and specification may need to be modified, service changes may need to be designed and deployed).

This Practice is also related to agr03, “Negotiations.”

Activities

a. Provide support for creating and maintaining the procedures for amending agreements.

b. Document and implement the procedures required for amending agreements.

Documentation and implementation include the following Activities:

1. Identify conditions that require agreement amendments.

→ These conditions and appropriate amendment provisions should be included in the agreement. Refer to agr06, “Create agreements,” regarding creating these provisions in the agreement. Changed conditions include changes to applicable statutes and regulations, requests for additional or more limited services, and modifications to existing services. Modifications to services may require a new round of analysis and negotiation with the service provider, possibly leading to an amendment of the agreement.

2. Identify the required inputs for the amendment to the agreement.

a) Identify changes in service requirements, including client objectives and policies that may impact agreement provisions.

b) Identify changes in organizational requirements, including objectives and policies that may impact agreement provisions.

c) Identify changes in standards, statutory, and regulatory requirements.

d) Identify changes in licensing requirements.

e) Identify changes in intellectual property requirements.

3. Analyze the impact of any proposed changes and communicate them to relevant stakeholders.

a) Analyze the impacts on the business case.

→ Refer to app02, “Business case.”

Sourcing Agreements

Initiation

Level 2

Procedure

b) Analyze the impact and risks to the client organization.

→ Refer to app04, "Impact & risk analysis."

4. Create the amendment to the agreement, based on the identified requirements.

→ The amendment can take different forms, depending on the terms and conditions of the agreement. Some agreements will call for the publication of a modified agreement document, reflecting the agreed-upon amendment. Other agreements may require that the original signed agreement not be altered, and that amendments be maintained and published as addenda to the agreement.

5. Review and verify cost estimates for the proposed amendment.

6. Obtain review and approval of the amendment to the agreement from the client organization, service provider, and third parties, as appropriate.

a) Review the agreement amendment.

b) Verify that the amendment meets identified requirements.

c) Identify and assess risks that impact the ability of the organization to meet the amended commitments.

d) Identify and track changes to agreement provisions during the amendment process.

e) Obtain approvals from relevant stakeholders.

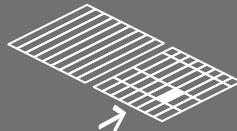
f) Retain approved and documented amendments to the agreement.

c. Support the implementation of amending agreements.

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Service Transfer



The Service Transfer Practices focus on successfully transferring resources between the client organization and its service providers by creating and implementing a transfer plan; creating client/service provider teams; identifying key skill sets/personnel to retain in-house or transfer to the service providers; ensuring service design meets the client's needs; and transferring resources, personnel, and knowledge to service providers. All Service Transfer Practices are in the Initiation phase of the Sourcing Life-cycle. These Practices cover the following:

- Manage service transfer: Planning and managing the service transition.
- Verify design: Reviewing the service provider's service design information.
- Transfer knowledge, People and Skills: Transferring knowledge and personnel to the service provider.
- Transfer resources: Transferring resources, including technology infrastructure and work environment to the service provider.

tfr01**Service Transfer**

Initiation

Level 2

Plan

Service Transition**Plan and track the transition of the sourced service.**

Effectively plan and track the transition of the service design and deployment tasks in order to deliver a service that meets the client organization's requirements. Planning is critical for establishing expectations for both the client and service provider. It forms the basis for tracking transition and deployment tasks, and for reviewing and verifying the service design, tfr02, "Verify design."

Activities

- a. **Provide support for creating and maintaining the work products and tasks for planning and tracking the transition of the sourced service.**
- b. **Document and implement the work products and tasks required for planning and tracking the transition of the sourced service. Documentation and implementation include the following Activities:**
 1. Identify service transition team for planning and tracking the transition of the sourced service.
 - Effectively manage the service transition tasks in order to deliver a service that meets the client's requirements. Planning is critical for establishing expectations for the client and organization, and forms the basis for tracking and reviewing the service transition tasks. Service Transition Plans are generally prepared by the service provider in consultation with the client organization and approved by the client organization.
 - a) Establish the client organization's service transition team with representatives from across the organization to facilitate the transition.
 - The client organization's service transition team usually consists of key personnel currently managing the service delivery. In some instances, the organizations identify a transition coordinator to work closely with the service provider for planning and tracking the transition. Some organizations will develop a joint transition team, composed of client and service provider personnel.
 - b) Identify competency gaps.
 - Analyze the workforce and personnel competencies required against the existing competencies available in the identified team members. When governance group members are drawn exclusively from the client organization, they may begin with an experience deficit that puts them at a real disadvantage. Moving from management to governance with little or no training on the critical differences between the two can lead to costly mistakes that can contribute to failure of the sourcing relationship.
 - c) Provide training to internal stakeholders, as appropriate.
2. Perform transition planning.
 - a) Identify requirements and commitments that will impact transition.
 - The client requirements and commitments include engagement deliverables, milestones, and client-supplied resources. If created prior to the plan, the service specification may help identify client requirements and commitments.
 - b) Analyze requirements to identify transition tasks.
 - c) Create estimates of the resources required from the client organization for transitioning the service, including the effort and time frame required for each task.
 - Resources include monetary resources, personnel, knowledge, technology, and facilities infrastructure. Estimates of resources can be based on details of similar services sourced by the organization, availability of personnel and skills, interdependencies within tasks and resources, and risks associated with resources.

3. Create the service transition plan.

- The transition plan is the document which identifies and details all functions that must be performed to accomplish a successful transition. The plan should provide step-by-step instructions on how to handle every task associated with the sourcing effort. The transition plan should be developed as soon as possible during transition and should be revised as appropriate during transition. The client organizations typically designs the service transition plan jointly with the service provider; or entrust the responsibility of creating the transition plan to the service provider and review and approve the transition plan from the service provider after ensuring that the organizational requirements are being met by the service provider.

a) Define the roles and responsibilities of each group.

- Both parties also use a roles and responsibilities matrix to define the handoffs between internal and external roles for each process. The client organization also documents the detailed definitions of all internal competencies and creates process descriptions for problem management, change management, work authorization, performance management and financial audits.

b) Coordinate communications with the service provider.

- It is important that the transition team communicates in an accurate and timely manner. The transition team needs to communicate to their key stakeholders according to the communications plan to keep them informed. Refer to ocm05, "Communicate organizational changes." Based on the communications plans, the service provider may be asked not to make any announcement until the client organization makes its announcements public first. Often, organizations choose to make announcements in the following order: employees directly affected, other employees, loosing bidders (prospective service providers), and then the public.

4. Receive service design information on which feedback is required.

- The information received by the client organization from service providers is based on inputs from the service providers' design team and representatives of the client. Feedback may be obtained on suitability of the service design to requirements, accessibility of the key organizational interfaces, cultural fit, efficiency, reliability, and the ability to meet service levels.

5. Review the service design information.

- Typical contents of a service design plan include:

- Methods for handling changes during creation of the service design.
- Schedule of service design tasks.
- Schedule of milestones and progress reviews.
- Personnel and training required to create the service design.
- Knowledge transfer requirements.
- Additional resources required to create the service design.
- The attributes of the service design to be tracked.
- Methods used for tracking the defined attributes.

a) Review the service design information for completeness, correctness, clarity, and adequacy.

b) Obtain approval of the service design information from the relevant stakeholders.

6. Provide feedback on the service design.

- The client may review service design information and provide feedback during face-to-face meetings, by e-mail, or by electronic file transfer (e.g., as part of a help desk system that supports problem tracking and reporting). This may result in changes to the requirements.

Service Transition cont'd

7. Review planned service deployment.

→ Typical contents of a service deployment plan include:

- Deployment plan and schedule, addressing the physical environment; technological infrastructure; and personnel structure, as applicable.
- Deployment plan and schedule for processes, policies, and procedures.
- Schedule of milestones and progress reviews.
- The attributes of the service deployment to be tracked.
- Methods used for tracking the defined attributes.

a) Review the service deployment information for completeness, correctness, clarity, and adequacy.

b) Obtain approval of the service deployment information from the relevant stakeholders.

8. Review and approve the service transition plans.

a) Review the service transition plans to ensure they address the required aspects of service design and service deployment.

b) Review the service transition plans for correctness, clarity, and adequacy.

c) Obtain approval of the service transition plans from the relevant stakeholders.

d) Periodically review and maintain the service transition plans.

→ Transition plans are modified due to changes in client requirements, amendments to the agreement, service modifications, and changes in resource availability.

9. Verify readiness for successful service deployment.

→ Successful deployment is dependent upon the ability to transfer or start up service delivery with minimal problems. For existing services, it is important to verify service continuity during deployment.

a) Verify that the required communications and interaction mechanisms are in place to support service delivery.

→ These can include procedures, contact lists, and escalation lists.

b) Verify that the physical environment is ready for service delivery.

→ This can include building access that has been provided to personnel, space assignments have been made, and furnishings and equipment are in place.

c) Verify that the technology infrastructure is ready for service delivery.

→ Infrastructure can include physical network, wiring, hubs, routers, PBX or VOIP, workstations, servers, printers, and required software.

d) Verify that personnel are prepared to deliver service.

→ Personnel are in place or planned, training has been delivered, a compensation and reward structure is in place, roles and responsibilities have been communicated, and appropriate knowledge transfer is planned or completed.

e) Verify that procedures, policies, and guidelines are in place and have been communicated to personnel.

10. Ensure plans address continuity of service during transfer.

→ Different approaches can be taken to maintain continuity of service, such as providing a parallel service, a staged transfer of service, or a straight transfer of service. The approach taken will depend on the associated risks. In some cases, continuity of service may not be critical or necessary. Whether continuity of service needs to be maintained, and if so, what approach will be used, should be negotiated with the client; the agreed-upon approach may be outlined in the agreement.

11. Implement pilot projects, based on identified risks.

→ Pilot projects or feasibility projects can be planned when the sourced service has high impact and high potential risk, high visibility, or requires that deployment and implementation approaches be tested and proven. In these cases, a pilot project is often used as a trial project, especially where there are clear expectations and deliverables, and the requirements are well documented. Pilot projects will often scale up to full deployment as benefits are realized and processes, procedures, personnel, and infrastructure are proven.

→ Pilot projects may address the processes to be deployed, the design and deployment of a limited subset of the full service, reviewing costs estimates, financial analysis of the actual costs incurred, and project impacts. Infrastructure and technology capabilities are evaluated as needed.

- a) Create a plan for the pilot project.
- b) Track status and progress of the pilot project.
- c) Determine actions to take when progress deviates from the plan.
- c) Take defined actions and track them to closure.
- e) Update the service transition plan based on lessons learned from the pilot project.

12. Track status and progress against the service transition plan.

- a) Track status and progress of tasks within the service transition plan.

→ At Capability Level 3, the tracking of status and progress should also address relevant activities from the relevant human resources and communications plans. Refer to ocm04, "Human resource changes" and ocm05, "Communicate organizational changes."

- b) Determine actions to take when progress deviates from the plan.
- c) Take defined actions and track them to closure.

13. Track status and progress against the service design and deployment plans, according to the defined tracking methods.

→ Information required for tracking includes status reports and engagement milestones. The client organization's service transition team should ensure that the progress status is reported by the service provider as per the agreed terms, and should validate the service provider's report with their own assessment of service transition progress.

- a) Periodically review status of the service provider's implementation of the service design and deployment plans.
 - Key areas of focus could include: the progress of staffing to key positions, knowledge transfer where personnel are not transferring to the service provider or are not maintaining the same responsibilities, the provision of contingency plans for continuity of service in the event of any problems with the transition.
- b) Determine actions to take when progress deviates from the plan.
- c) Take defined actions and track them to closure.

c. Support the implementation of planning and tracking the transition of the sourced service.

tfr02**Verify Design****Service Transfer**

Initiation

Level 3

Procedure

Establish and implement procedures to review and verify the sourced service design.

Identify and resolve potential problems with the service design before the service is deployed in order to help ensure that the service provider can meet the service level commitments. Removing defects early prevents problems during service deployment and enables the service provider to satisfy the client's requirements and meet the service level commitments. The client's involvement improves client and end-user satisfaction and helps ensure the service design will meet the client requirements.

This Practice establishes an in-depth and rigorous review of the service design. It provides reviews of service design, including an external verification of the service design. Service design reviews typically include reviews and audits by management—or designated personnel—within the organization. Verification expands on this internal review by involving the client organization's personnel to verify that the service design meets their requirements. Client feedback can be used to efficiently identify and resolve problems in the service design before the service is deployed.

Activities

a. Provide support for creating and maintaining the procedures for reviewing and verifying the sourced service design.

b. Document and implement the procedures required for reviewing and verifying the sourced service design. Documentation and implementation include the following Activities:

1. Define and document methods to review and verify the service design.
 - Methods for conducting reviews include peer review of documentation, walkthroughs, simulations, demonstrations, scenario generators, and testing interfaces with other systems.
 - Each of the key aspects of service management should be reviewed to ensure that practices are well established, understood by all parties and effective in delivering optimum results. A key aspect of the review should be to ensure that the client is proactively provided with sufficient information on service plan changes to assess risk and impact on pricing and service levels to the business. Based on the defined accountabilities and the scope of services included within the sourcing agreement, all aspects of service management should be reviewed. This should be conducted by reviewing documented processes and results achieved and surveying the business areas to assess effectiveness. Topics to review should include business continuity, security, schedules, and dependencies.
2. Create guidelines on using the methods to review and verify the service design.
 - Guidelines should address client organization review of transition plans, and how joint review sessions will be conducted. These joint sessions should review the agreements and transition plans with those responsible for execution on both sides. To improve the transition from negotiation to implementation, the client organization and service provider should conduct joint briefing sessions on their agreement. Topics should include the terms of the deal and the underlying intentions behind them, highlighting any issues that were deferred or not fully resolved, as well as critical scope boundaries.
3. Plan reviews of service design prior to deployment.
 - Reviews are conducted at specific milestones or defined intervals.
 - a) Identify the members of the review and verification team.
 - Members of the review and verification team include members of the service design team, personnel from functions involved in implementing the service design, client personnel, suppliers and partners, and others, as specified in the agreement.
 - b) Address reviews of the service design in the service transition plan.

4. Review the service design and deployment plans.

- a) Review the service design and deployment plans to ensure they address the required aspects of service design and service deployment.
- b) Review the service design and deployment plans for completeness, correctness, clarity, and adequacy.
- c) Obtain approval of the service design and deployment plans from the relevant stakeholders.
- d) Communicate the service design and deployment plans to relevant stakeholders.
- e) Periodically review and maintain the service design and deployment plans.
 - Design and deployment plans are modified due to changes in client requirements, amendments to the agreement, service modifications, and changes in resource availability.

5. Plan verification of the service design prior to deployment.

- a) Identify the members of the review and verification team.
 - Members of the review and verification team include members of the service design team, personnel from functions involved in implementing the service design, client personnel, suppliers and partners, and others, as specified in the agreement.
- b) Address verification of the service design in the service transition plan.

6. Verify the service design with the service provider.

- a) Determine actions to take based on the results of the reviews and verification.
 - Depending on the extent of the changes needed, it may be necessary to conduct additional reviews and verifications before submitting the service design for approval.
- b) Take defined actions, and track to closure.

c. Support the implementation of reviewing and verifying the sourced service design.

tfr03**Service Transfer**

Initiation

Level 2

Procedure

Resources Transferred Out**Establish and implement procedures to verify and account for resources transferred to service providers.**

Track and manage resource transfers in order to facilitate a smooth transfer of responsibilities prior to service delivery. Effective resource tracking enables the client organization to verify the transfer of the required resources and to facilitate handling any disputes regarding disposition of resources that might arise at Completion. Resources are typically transferred to the service provider during Initiation, but transfer may occur during Delivery or Completion as well.

This Practice is closely related to tfr04, “Personnel transferred out.” While the focus of tfr04 is on managing the transfer of personnel, this Practice is an overarching Initiation Practice that covers accounting for the transfer of all resources, including personnel. Personnel transfer is critical and has a high risk of failure if it is not done well, so tfr04 is defined as a separate Practice.

Activities

a. Provide support for creating and maintaining the procedures for verifying and accounting for resources transferred to service providers.

b. Document and implement the procedures required for verifying and accounting for resources transferred to service providers. Documentation and implementation include the following Activities:

1. Identify transfer requirements, including those covered in the agreement.

2. Identify resources to be transferred to the service providers.

3. Create estimates of the resources required, including the effort and time frame for transfers.

4. Define the criteria for acceptance of resources being transferred to the service providers.

→ Criteria for accepting resources include suitability of the resources to the identified requirements, requirements contained within the agreement, quantity received, and quality of resources.

5. Create resource transfer plans.

→ Initial service design and deployment plans may be used to help identify transition plan tasks. Refer also to ocm03, “Define future state” for design of the physical environment and technological infrastructure.

a) Create a transfer plan and schedule for the physical environment, as applicable.

b) Create a transfer plan and schedule for the technological infrastructure, as applicable.

→ Refer to tch01, “Asset management,” and tch02, “License management.”

c) Create a transfer plan for contracts and intellectual property, as applicable.

→ Refer to thr03, “Intellectual property.”

d) Create a transfer plan and schedule for the personnel structure, as applicable.

→ Refer to tfr04, “Personnel transferred out.”

e) Create a transfer plan and schedule for processes, policies, and procedures; as applicable.

6. Identify communication channels, including contact personnel for each organization involved in the transfer.

→ Contact personnel include those responsible for coordination, reporting, and escalation.

-
7. Verify the resources before acceptance, according to the defined criteria.
 8. Transfer resources based on the resource transfer plans.
 - a) Transfer the physical environment.
 - b) Transfer the personnel structure.
 - c) Transfer the technology infrastructure.
 - d) Transfer the processes, policies, and procedures.
 9. Ensure with the service provider, continuity of service during transfer.
 10. Maintain records for transferred resources.
 - a) Maintain records of resources transferred from the organization.
 - Records maintained for resources include details on date of receipt, condition of the resources, modifications done to the received resources, approvals on the modifications, and performance of the resources. These may be recorded in the appropriate asset logs or asset registers. For various reasons, separate side agreements may be used to effect the transfer of resources, including sale agreements and contract assignment agreements.
 - b) Verify that asset records are accurate and complete, reflecting records of resources transferred from the organization.
 11. Track status and progress against the resource transfer plans.
 - a) Determine actions to take when progress deviates from the plans.
 - b) Take actions and track them to closure.
 12. Obtain approval for resources transferred from the organization.
 - Approval indicates that the resources transferred from the organization are the resources expected to be received. Typically the approval criteria are specified in the agreement.

c. Support the implementation of verifying and accounting for resources transferred to service providers.

tfr04**Service Transfer**

Initiation

Level 2

Procedure

Personnel Transferred Out**Establish and implement procedures to manage the transfer of personnel to service providers.**

Smoothly transfer personnel to the service provider in order to enable the service provider to effectively deliver service. Sourcing frequently involves the transfer of personnel who have been previously responsible for service delivery. The effective transfer of personnel and personnel competencies enables the client to maintain its service continuity and may contribute to meeting other client organization requirements. The transfer of personnel from the organization typically occurs during Completion, but may happen during Initiation or Delivery as well.

This Practice is closely related to tfr03, “Resources transferred out.” While the focus of this Practice is on the transfer of personnel, tfr03 is an overarching Practice that covers the effective transfer of all resources, including personnel. Personnel transfer is critical and has a high risk of failure if it is not done well, so this Practice is defined as a separate Practice.

This Practice is related to ocm04, “Human resources changes.”

Activities

- a. **Provide support for creating and maintaining the procedures for managing the transfer of personnel to service providers.**
- b. **Document and implement the procedures required for managing the transfer of personnel to service providers. Documentation and implementation include the following Activities:**
 1. Identify personnel to be transferred from the client organization.
 - This information may be specified in the agreement or amendments to the agreement in full or in part. Further detail may be agreed to in other documentation, such as the service specification or the human capital management plan. Refer to ocm04, “Human resources changes.”
 2. Identify and address any issues related to the transfer.
 - Issues that arise may include disparities in benefits and relocation provisions, carrying out data transfers in accordance with applicable privacy laws, or dealing with consultation and notification regarding the sourcing action. Issues may also arise out of organizational policies, or relevant statutes or regulations, such as the European Union Acquired Rights Directive [EU 2001] or TUPE [HMSO 2006; DTI 2006]. These issues may require complying with specific legal requirements, such as consultation and notification requirements.
 3. Create exit procedures for transferred personnel.
 - This may include exit interviews, revoking of security and access privileges, and return of the client organization’s proprietary materials. Exit procedures may be based on existing termination processes or procedures.
 4. Implement communications plans regarding human resource changes.
 - It is important to not just communicate to those directly affected by the transfer, but also to communicate the secure status of those to be retained. At Capability Level 3 refer to ocm05, “Communicate organizational changes,” regarding communications strategies and plans.
 5. Transfer the identified personnel and personnel competencies from the organization, based on transfer plans.
 - Refer to tfr03, “Resources transferred out,” for creation of the transfer plan for the personnel structure.
 6. Ensure with the service provider, continuity of service during transfer.

-
7. Document the personnel and personnel competencies transferred.
 8. Identify gaps in personnel and workforce competencies based on the transfer of personnel.
 - An analysis of the personnel transferred will help determine the impact of the loss of workforce competencies on the organization's performance, as well as the number and profile of the personnel needed to replace the personnel transferred. Actions may include training existing personnel.
 9. Take actions needed to address gaps in personnel and workforce competencies, and track them to closure.
 - Actions that can be taken to address gaps include acquiring (training, hiring or renting) the necessary personnel resources.
 10. Obtain approval for personnel transferred from the organization.
 - Approval indicates that the personnel or personnel competencies transferred from the organization are the personnel or personnel competencies expected to be received. Typically the approval criteria are specified in the agreement.

c. Support the implementation of managing the transfer of personnel to service providers.

tfr05

Knowledge Transferred Out

Service Transfer
Initiation
Level 2
other

Ensure that transfer of knowledge to service providers is planned, supported, and verified.

Executing on an effective knowledge transfer plan is essential to the long-term success of a sourcing initiative. Clients need to focus time and effort to complete the necessary work throughout the transition. Knowledge transfer often addresses in-scope business processes, organizational structures, and other context/background information, in addition to the infrastructure aspects, such as hardware, software, and telecommunications necessary for successful delivery of the IT-enabled service.

Further complicating the situation is that most of the knowledge to be transferred is possessed by employees who may be anxious and uncertain about their roles in the future service delivery model. Therefore, it's essential that client organizations develop an in-depth plan for the transfer of information that includes the detailed identification and documentation of this knowledge throughout the process.

Verification that knowledge has successfully occurred can eliminate sources of doubt or confusion as the service moves into delivery. Clients may face barriers, such as cross-cultural misunderstandings, with the service provider resources that must be overcome in knowledge transfer.

Comprehensive and detailed documentation of transferred knowledge also makes it easier for a client to bring the service delivery back in-house or transition to another service provider.

This Practice is related to ocm04, "Human resources changes."

Activities

a. Provide support for creating and maintaining the work products and tasks for ensuring that transfer of knowledge to service providers is planned, supported, and verified.

b. Document and implement the work products and tasks required for ensuring that transfer of knowledge to service providers is planned, supported, and verified. Documentation and implementation include the following Activities:

1. Identify types of knowledge gained during the service delivery in-house or from another service provider currently delivering the service, which may be transferred to the service provider.

→ The knowledge gained may include business and technical requirements of client organization, its business functions and end-users; key problems and issues identified during requirement specification, service specifications created from client requirements, work instructions prepared for providing the service, quality specifications created based on client requirements of service level expectations, identified security requirements, identified risks, identified regulatory and statutory requirements, identified cultural attributes, identified personnel competencies, corrective and preventive actions that include client involvement, and a summary of client feedback. Ensure that the knowledge will aid in reducing the learning cycle for the service provider.

2. Identify, from the agreement and other client agreements, types of knowledge to be transferred.

3. Identify, from the identified knowledge types, the specific knowledge to transfer.

→ This may include knowledge useful to the service provider in performing the transferred service at the desired service level, but not specifically outlined in the agreement. The client organization may choose to transfer knowledge based on a strategic decision to ensure that value is delivered to the client. This requires identifying specific knowledge and their sources to be transferred. These sources may include processes, systems, or subject matter experts (SMEs) within the client organization.

4. Determine whether the identified knowledge is the organization's intellectual property, and take action as appropriate.

- It is important to recognize that much of the knowledge capital to be transferred may be considered intellectual property and may have competitive value for the organization. Intellectual property ownership, as defined in agreements with the client, will help identify which knowledge the organization is obligated to provide to the client at Completion. Any other knowledge should be analyzed to determine its appropriateness to be provided; this is particularly a concern when service is being transferred to a competitor. However, the organization should verify that any knowledge critical to service delivery is being transferred.
- It is inappropriate for the organization to "hold hostage" any knowledge, on competitive or other grounds, that is needed for service delivery. Arrangements may be made for buying or renting the intellectual property.

5. Create a knowledge transfer plan.

- a) Identify knowledge transfer tasks, especially tasks covered in the agreement.
 - Knowledge transfer may be accomplished through mechanisms such as training, documentation, job shadowing, and on-site/off-site rotations.
- b) Create estimates of the resources required, including the effort and time frame for each task.
- c) Ensure that issue and problem escalation procedures have been agreed to.
- d) Ensure that the roles and responsibilities for knowledge transfer are defined.
- e) Plan service provider reviews of ongoing work functions to be transferred to the service provider.
 - The service provider reviews of ongoing work functions usually will involve a "walk through" of each function, accompanied by any additional interviews and documentation reviews needed to clarify the function.
- f) Identify responsibilities to be reallocated.
- g) Plan Documentation Reviews.
 - In Documentation Reviews, the client organization and the service provider should review all the documentation related to the function. This documentation may be policies and procedures, reports or input forms- essentially every document needed to show how information flows through the function and is used to create the desired output.
- h) Create a schedule of knowledge transfer activities.

6. Execute the knowledge transfer plan.

7. Maintain records for knowledge transferred.

8. Track status and progress against the plan.

- a) Determine actions to take when progress deviates from the plan.
- b) Take actions and track them to closure.

9. Obtain approval for the knowledge transferred from the organization and the service provider.

- a) Define approval criteria.
 - It is common to have some form of acceptance criteria that allows an evaluation and process to ensure that the transition has been successfully completed. Approval indicates that the knowledge transferred to the service provider is the knowledge expected to be received. Typically the approval criteria are specified in the agreement.

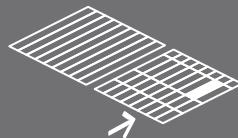
Knowledge Transferred Out cont'd

- b) Evaluate completion of knowledge transfer using identified approval criteria.
- c) Update knowledge transfer plan, as needed.

c. Support the implementation of ensuring that transfer of knowledge to service providers is planned, supported, and verified.



Sourced Services Management



These Sourced Services Management Practices focus on having the capability to manage service providers, and the issues and challenges that arise after the agreement has been reached. These Practices deal with managing performance expectations of the services defined and delivered by the service provider in their agreement. All Sourced Services Management Practices are in the Delivery phase of the Sourcing Life-cycle. These Practices cover the following:

- Performance monitoring: Focuses on operational issues like measuring performance against the SLAs, monitoring SLAs, managing performance, and taking corrective action, if required.
- Financial management: Responsibility for managing and monitoring the financial control for the agreement.
- Agreement management: Responsibility for the administration of the agreement, and ensuring that the service provider is executing according to the terms and conditions of the agreement.
- Relationship management: Focus on managing relations with the service providers of a sourced service, addressing fostering realistic expectations of the service provider performance (expectation management), and managing problems. The Practices in this Capability Area are closely linked the Relationship Management Practices in the Ongoing phase.
- Managing changes: Deals with issues of managing change to services and changes in the technology base for a specific sourced service. These Practices are related to the Practices in the Governance Management Capability Area in the Ongoing phase, which are focused on carrying out the responsibility for managing technical strategy and architecture.
- Value analysis: Focus on reviewing the service provider's performance against the agreed-upon deliverables required business benefits, soliciting and evaluating feedback from stakeholders, and reviewing performance against the agreed upon service commitments and deliverables. Finally these Practices aid in making decisions about renewing or terminating sourcing relationships, or exploring new sourcing options.

mgt01

Perform Sourcing Management

Plan and track sourcing management for the sourced services.

Sourced Services Management
Delivery
Level 2
Plan

A well-defined plan for governance and service management is necessary to ensure the client organization's success in managing and monitoring service providers. Planning and tracking are key aspects of service management for the sourced services which occur throughout delivery. The initial basis for the plan will be the Agreement and may, by agreement between the parties, include any promises or commitments that are not contractual but were explicit during negotiations. The plan addresses activities of the client organization's service management team, as well as activities to manage and monitor the service providers. It may also address agreement definition adherence, service activity and task validation, service performance achievement, terms and conditions management, and invoice validation. The plan will specify the relevant measures and metrics used by the client to assess service provider performance (SLA achievement, relationship strength, client end-user satisfaction, etc.). These measures may be more comprehensive in nature than the delivery targets defined in the formal agreement, and could include measures tied to strategic initiatives or measures assessing service level attainment to business performance.

The effectiveness of the Sourcing Management Plan will be strongly influenced by the effectiveness and maturity of the client's underlying governance capability.

This Practice is related to each of these Sourced Services Management Practices: mgt02, "Performance monitoring," mgt03, "Financial management," mgt04, "Agreement management," mgt05, "Problem & Incident monitoring," mgt06, "Service delivery change management," and mgt07, "Service change management." This Practice is also related to the review and evaluation of sourcing performance covered in Practices mgt08, "Review service performance," mgt09, "Stakeholder feedback," and mgt10, "Service value analysis."

Activities

a. Provide support for creating and maintaining the work products and tasks for planning and tracking sourcing management for the sourced services.

b. Document and implement the work products and tasks required for planning and tracking sourcing management for the sourced services. Documentation and implementation include the following Activities:

1. Establish service management team for the sourced service.

a) Allocate appropriate resources to manage the sourced service.

→ Typically, these resources are in the range of 2%-12% of the value of the agreement (i.e., TCV or total contract value), with proportionately more at start up and for smaller agreements. Studies of sourcing governance have shown that of these resources, approximately 40 percent is allocated to sourced service management personnel, 30 percent to appropriate software and tools, and the remaining thirty percent to external services, such as advisors, lawyers, and auditors.

b) Make available sufficient numbers of trained staff for service provider relationship management activities.

c) Make available sufficient numbers of trained staff to monitor the service provider's performance.

d) Make available sufficient numbers of trained staff for internal client relationship management activities.

2. Update the Governance Model to reflect the sourced service.

→ Refer to app03, "Governance model." This Governance Model incorporates all process- and quality-related requirements and procedures can be developed and agreed on by both the client and the service provider. This document states the overall direction of the governance of the sourced service that clarifies its commitment and relationships to its internal clients, service providers, and other key constituents.

- a) Review the updated Governance Model with relevant stakeholders.
- b) Implement the procedures defined in the updated Governance Model.

3. Create detailed sourcing management plans, consistent with the sourcing implementation plan.

→ The sourcing project plan was prepared in pln01, "Establish sourcing project."

→ If there are more than one sourced services in a relationship with service provider, there may be multiple teams or plans implemented.

- a) Create plans for relationship management.
 - Refer to rel01, "Service provider interactions," and gov03, "Internal stakeholder management." At Capability Level 3, these relationship management plans expand to address rel02, "Service provider relationships," and rel03, "Internal relationships."
- b) Create a plan for managing service delivery, based on the service specification and service design.
 - Plans can include deliverables, service levels and other commitments.
- c) Create a plan for resource management.
 - Resource plans should form a key part of program/project plans, supported by current cost reports and confirmation that funding is available. Resource management plans may also address resource transfer.
- d) Create a plan for personnel management.
 - Personnel management plans may address resource transfer, workforce competencies, and personnel competencies required.
- e) Create a completion plan.
 - Refer to cmp01, "Completion planning," regarding the preparation and periodic updating of a completion plan.
- f) Create a plan for managing processes, policies, and procedures.
- g) Create schedules of milestones and progress reviews.
- h) Determine the attributes of the service delivery to be tracked.
- i) Define and document methods used for tracking the defined attributes.
- j) Review the sourcing management plans for correctness, clarity, and adequacy.
- k) Obtain approval of the sourcing management plans from the relevant stakeholders.
- l) Communicate the sourcing management plans to relevant stakeholders.

4. Track status and progress against the sourcing management plans, according to the defined tracking methods.

→ Information required for tracking includes status reports, engagement milestones, technology, service-level tracking logs, and penalties or bonuses associated with whether service delivery targets are achieved.

- a) Determine actions to take when progress deviates from the plan.
- b) Take actions and track them to closure.

Perform Sourcing Management cont'd

5. Document issues and actions taken, updating risk and issue logs and project plans, as required.
 - Refer to Practice thr01, "Sourcing risk management" for practices regarding risk management for this sourced service, and to Practice rel04, "Issue management" for practices regarding managing and resolving issues in the relationships.
 6. Provide training to service providers, as appropriate.
 - a) Identify the type, content, and format of training to be delivered to service providers.
 - Training is based on commitments made to the client. Training may be classroom-based; self-taught with supporting course materials, including electronic materials; or web-based.
 - b) Communicate the availability and conditions of training to service providers.
 - c) Coordinate with service providers regarding the identified training.
 - d) Provide training to service providers.
 7. Track service provider tasks, according to the defined tracking methods.
 - a) Determine actions to take when performance deviates from expectations.
 - There may not be a formal plan for managing service provider performance. In this case, performance should be tracked against expectations agreed to with the service providers.
 - The actions taken could include awarding additional agreements, reducing the amount of work performed by the service provider, increasing or decreasing the frequency of tracking, and providing additional training to service provider personnel.
 - b) Take actions and track them to closure.
 8. Maintain records of service provider performance.
 - Records may be used to determine type of future relationship with the service provider, including expanding or curtailing the relationship.
 9. Conduct periodic working level meetings with both end user groups and service providers to review the service provider's performance.
 10. Maintain the sourcing management plans.
 - Sourcing management plans are living documents that are updated over the course of the engagement. Service modifications based on changing business conditions may result in updates to the plans. Other changes may occur due to changing business priorities and requirements, delivery improvements, or other relevant factors.
- c. Support the implementation of planning and tracking sourcing management plans for the sourced services.**

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mgt02

Performance Monitoring

Establish and implement procedures to monitor and verify that service commitments are being met.

Sourced Services Management
 Delivery
 Level 2
 Procedure

Verify that the agreed upon service commitments are being met and take appropriate action, which may include exercising remedies with respect to the agreement, when commitments are not met or are in jeopardy of being missed. Use the current performance measurements to evaluate whether the commitments are being satisfied, and identify the problems for which corrective action is needed. The goal of the procedures is to optimize the cost of monitoring and conformance by generating maximum compliance with minimum cost. Sampling techniques from statistical process control are commonly applied when assessing the quality of any manufactured product and the same may be true for assessing service commitments.

Objectives and the associated performance measures are defined in pln01, “Establish sourcing project,” and established in agr05, “Define SLAs & measures.” While service commitments should be consistent with both the client organization’s sourcing objectives and the service provider’s engagement objectives, the focus of this Practice is on monitoring the commitments made to the client. These service commitments represent the service providers’ commitment to meet service level agreements, performed within identified service conditions. The correction of service delivery problems that may cause service commitments to be missed is covered in mgt05, “Problem & incident monitoring”.

Activities

a. Provide support for creating and maintaining the procedures for monitoring and verifying service commitments.

b. Document and implement the procedures required for monitoring and verifying service commitments. Documentation and implementation include the following Activities:

1. Determine measures to track service performance.
 - The service level agreement and other service specifications are the sources to determine commitments that need to be measured.
 - a) Determine the attributes to measure to determine if service commitments are being met.
 - Attributes to measure include status and progress of work, effectiveness of service delivery, and performance against service level agreements. Refer to agr05, “Define SLAs & measures.”
 - b) Determine the performance measures for the attributes.
 - One source of attributes to track is the quality specification, created as part of the service design, which describes quality attributes to track and the service levels agreed to for each of those attributes.
 - c) Create a schedule for service commitments reporting.
 - d) Determine the analyses and indicators that support monitoring of service performance.
 - For service levels, the criteria for acceptable performance may be specified in service-level agreements with the client. Acceptable performance for attributes affecting service levels may be internally specified by the organization whether explicit process commitments have been made to the client or not.
 - Actions to take may include reporting to the clients; defining an action plan, including responsible personnel, time frames, and resources required; and verifying implementation of the planned actions. The action may be specified in the agreement, service specification, or quality specification.

2. Provide service provider commitment and performance information.

- a) Use a performance reporting system to distribute service provider commitment and performance information.

→ Service provider performance must be actively monitored and regular performance reports that record actual service levels against agreed-upon service levels prepared. Reports of service provider commitment and performance information are typically distributed to relevant stakeholders or made available through some portal to access this data. The reports may be detailed for operating meetings and summarized for oversight or management review meetings. Mechanisms established in know01, “Provide required information,” may be used to implement a performance reporting system.

- b) Obtain review and approval from relevant stakeholders on the performance reporting system.

- c) Distribute regular performance reports to relevant stakeholders.

3. Track and monitor service provider performance.

- a) Collect data on service performance.

→ The service performance data is reported by the service provider as per the schedule and terms specified in the service level agreement.

- b) Monitor service delivery and service level metrics.

- c) Define and implement regular reviews of service provider performance.

→ These reviews may also be supplemented with audits of service provider performance information.

- d) Conduct periodic quality reviews with service providers.

4. Verify that service commitments are being met.

- a) Analyze service performance data and compare current values and trends to the defined ranges for acceptable performance.

→ Use appropriate sampling techniques for data analysis.

- b) Identify gaps between the actual and the required performance.

- c) Identify actions to take, as appropriate, when there are gaps.

→ The actions to take can either be jointly identified with the service provider; or if either the client organization or the service provider identifies the actions, the other party should agree on the actions identified.

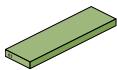
5. Maintain the data and analyses.

→ Possible future uses may include cross-service analyses and process improvement efforts.

c. Support the implementation of monitoring and verification of service commitments.

mgt03

Financial Management

**Sourced Services Management**

Delivery

Level 2

Procedure

Establish and implement procedures for financial management of the sourced services.

Have financial controls in place that manage the financial aspects of the sourcing arrangement. These financial controls may segregate and track payroll, facilities, equipment, and other costs for the sourcing activity, in order to help ensure a successful initiative. These procedures allow the client organization to develop and maintain cost controls, manage the costs of performing sourcing management, evaluate financial impact of changes to agreements, clearly understand costs, develop and distribute financial reports, and resolve financial issues.

Financial controls and objectives can vary considerably based on the nature of the engagement, its financial intent, and how it is billed. While fixed cost engagements may initially appear to be low risk, the provision of better services may drive demand and increase overall spending. If the design point was to decrease overall spending, then procedures need to be established and implemented to verify that this has actually occurred. The internal business case for the sourcing is a starting point to determine where financial controls could be most useful.

Financial controls are also needed to verify sourcing invoices and consumption. Sampling techniques from statistical process control may be applied, when necessary, for the purpose of validation.

Definitions and schedules from the agreement are also used in defining these controls.

Activities

a. Provide support for creating and maintaining the procedures for financial management of the sourced services.

b. Document and implement the procedures required for the financial management of the sourced services. Documentation and implementation include the following Activities:

1. Define financial management scope and objectives for the sourced service.

→ The financial controls allow the client organization to clearly understand costs, manage the cost of service delivery, and manage the costs of performing sourcing management.

2. Identify the financial attributes to be controlled.

→ An example of a common financial attribute is cost of labor. Drivers for this cost include salary, number of employees, turnover, training costs, benefits, etc. Each of these can, in turn, have drivers of their own (e.g., transaction volume will impact the number of employees needed; employee satisfaction may impact turnover rates).

a) Identify the types and sources of financial attributes to be controlled.

b) Identify the drivers for variance for each type and source of financial attribute.

c) Determine ranges of acceptable performance for each identified financial attribute.

3. Define and document methods used for tracking the defined attributes.

→ Earned Value Management is one of the methods that can be used for financial management. Methods should include analysis of the reasons for variance.

4. Perform financial management and reporting for the sourced service.

a) Identify the requirements for financial management and reporting.

→ Requirements should take into account the needs of the engagement (e.g., cash flow, reporting from the service providers, or charge-backs). Requirements may include maintaining costing/ budget factors, analyzing cash flow, arranging supplemental funding, establishing and executing controls to verify the accuracy and completeness of financial information, and conducting analyses of costs.

b) Create financial management reports based on the identified requirements.

c) Implement and use the financial tools and data sources required for financial management of the sourced service and sourcing management.

→ Financial systems may be needed to support financial management of the engagement. The service provider may have access to or integration with the client's financial system for reporting, as mutually agreed.

5. Track and monitor the budgets for sourced services and for the sourcing management activities.

→ Financial management includes establishing budget review cycles, billing, and cost audits. Resource plans for the sourced service and its management were initially prepared in mgt01, "Perform sourcing management." In this Practice detailed budgets are established and managed for the sourced service, sourcing management, and contingencies, such as funds set aside to pay for services that may have been overlooked during negotiations and to resolve disputes.

a) Monitor costs to verify that they are within budgeted ranges.

b) Determine appropriate actions to take if variances from budget occur.

b) Take actions and track them to closure.

6. Manage the assets of the sourced service, as appropriate.

→ Asset management includes tracking inventories and values of software, equipment, and other assets in use by the engagement. It depends upon the service delivery model agreed between the client organization and the service provider. Refer to tch01, "Asset management."

7. Audit the finances of the sourced service.

→ Financial audits include validation that accounting rules are being accurately followed and that costs are aligned with the engagement and client objectives. Legal and security issues are particularly important for financial management. Compliance with the relevant requirements should be verified.

8. Perform financial administration of the service provider relationship.

a) Monitor and analyze invoices.

b) Process invoices and issue payments to service providers.

c) Resolve payment problems.

d) Coordinate electronic data interchanges for receiving invoices electronically, automating reconciliations to agreements, and making payments.

e) Monitor pricing and price control mechanisms on a regular basis.

9. Track financial attributes, according to the defined tracking methods.

a) Collect data on actual costs incurred.

→ This includes verifying sourcing invoices and consumption, sourcing management costs, and asset management costs.

Financial Management cont'd

- b) Analyze data on costs incurred.
 - Sampling techniques from statistical process control may be applied, when necessary, for the purpose of consumption validation. The definitions and schedules contained within the agreement are also used. At Capability Level 3, these data and analyses may also be used in performing value analysis of the sourced service. Refer to mgt10, "Service value analysis," for these Level 3 analyses.
- c) Determine actions to take when results deviate from acceptable performance.
- d) Take actions and track them to closure.

c. Support the implementation of financial management of the sourced service.

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mgt04



Agreement Management

Establish and implement procedures for management of agreements governing the sourced services.

Sourced Services Management
Delivery
Level 2
Procedure

Have agreement management and administration procedures in place that include managing and tracking versions of all the legal documents that comprise the sourcing agreement, including modifications to the existing agreement and new amendments. Manage organizational understanding of key elements of agreements, as appropriate, such as definitions, service activity and task descriptions, service performance levels, problem escalation definitions, and service conditions. In addition, monitor the agreement according to the performance indicators and outcomes specified. Some organizations refer to these activities as contracts management.

This Practice is related to mgt02, “Performance monitoring,” as performance against service level agreements is monitored there, which is an important input to monitoring the agreement for proper outcomes.

Activities

a. **Provide support for creating and maintaining the procedures for management of agreements governing the sourced services.**

b. **Document and implement the procedures required for management of agreements governing the sourced services. Documentation and implementation include the following Activities:**

1. Monitor agreement compliance.

→ The agreement manager (or contract monitor) ensures that the business position is protected at all times. Effective monitoring means holding service providers to account on both existing service agreements and the developing performance standards of the services market. It enables production of a “report card” for each service provider that highlights their achievement against external benchmarks and the standards in the agreement.

a) Monitor that the service provider is delivering to meet their agreed-upon obligations.

→ Refer to mgt02, “Performance monitoring,” regarding monitoring service commitments.

b) Review the service provider’s performance against the agreed-upon deliverables defined in the agreement.

c) Implement procedures to monitor and to evaluate adherence to the agreement.

→ Adherence monitoring may address both client and service provider commitments under the agreement.

d) Determine actions to take when deviations from agreement compliance occur.

e) Take actions and track them to closure.

f) Communicate key service provider performance issues to senior management.

2. Communicate information regarding agreements.

→ Communications could address multiple levels of agreements, such as a master service agreement (MSA) and agreements for specific sourced services, or a summary of key information relating to the agreements.

-
- a) Identify information to be communicated to relevant types of stakeholders.
 - At Capability Level 3, refer to ocm05, “Communicate organizational changes,” regarding plans for communicating agreement information to various classes of stakeholders.
 - b) Disseminate identified agreement information to internal stakeholders.
 - c) Respond to queries from internal stakeholders and service provider regarding the requirements of the agreements.
 - d) Provide detailed explanations of the agreement, SLAs and their measures, and terms and conditions.
 - e) Provide interpretations of the agreement.

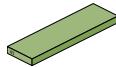
3. Monitor the requirements of the agreements for potential revisions to the agreements.

4. Perform agreement management and administration functions for the agreements with service providers.

- One of the main functions of the agreement administration is to have a systematic repository and log of agreements, changes, related records, and decisions.
- a) Create or obtain version and change control methods and tools, as appropriate.
 - Version control methods can include a version numbering system.
- b) Identify the documents and attributes to be managed and controlled.
 - Documents include all the legal agreements that comprise the sourcing agreement, including modifications to the existing agreement and new amendments; and other documents such as a Governance Charter. Key attributes include organizational understanding of key elements of the agreement, as appropriate, such as definitions, service activity and task descriptions, service performance levels, or problem escalation definitions.
- c) Obtain review and approval for proposed changes to identified documents and key attributes by the relevant stakeholders.
 - Authority for reviewing and approving changes to work products under change control is typically formally established in a change control board or other group. Stakeholders are responsible for reviewing changes for their impact, benefits, and risks.
- d) Make approved changes to the identified documents and key attributes.
 - Refer to agr07, “Amend agreements.”
- e) Track changes made to the identified documents and key attributes, taking action when appropriate.
 - Changes should be verified against expected results.

c. Support the implementation of management of agreements governing the sourced services.

mgt05



Sourced Services Management
Delivery
Level 2
Other

Problem & Incident Monitoring

Participate in problem and incident monitoring and resolution.

Monitor and participate in activities to minimize the effects on customers of defects in services and within the infrastructure, human errors and external events. This may include monitoring the service provider's adherence to problem severity management, as well as participating with the service provider in understanding and resolving problems. Ensure organizational understanding of severity process and triggers. Establish the need for and implement a reporting process for issues raised by internal stakeholders, such as end users.

Implement those requirements defined in agreements for severity classes and escalation procedures, including status reporting frequency, and points of contact to the organization. As the business impact of a service problem becomes more severe, the potential financial effects to the business may increase and may involve increasingly higher levels of management and decision making.

Activities

- a. Provide support for creating and maintaining the work products and tasks for participating in problem and incident monitoring and resolution.**
- b. Document and implement the work products and tasks required for participating in problem and incident monitoring and resolution. Documentation and implementation include the following Activities:**
 1. Identify and document service delivery problems that may need to be monitored and tracked.
 - Predicting the problems that may need to be corrected is typically done by reviewing known problems that are not being prevented (e.g., because the cost of prevention outweighs the benefit). Risk management plans will also identify potential problems.
 2. Determine attributes to be monitored.
 - Attributes can include the types of incidents and problems, severity classification, service levels, escalation and communication mechanisms, and reporting frequency.
 3. Define and document methods to monitor and resolve incidents and problems.
 - Service providers are typically responsible for resolution of the incidents and problems. The procedure and methods for resolution are mutually agreed by the client and the service provider as per the contractual terms or any other document, such as a Governance Charter.
 - a) Define methods for incident and problem reporting.
 - Incidents and problems are generally reported through communications from end-user and customers, and from the service provider.
 - b) Define the severity classification of incidents and problems.
 - c) Establish contact points for escalation and communication.
 - d) Define escalation and communication mechanisms.
 - Mechanisms include escalation and communication hierarchy for both client and the service provider.

e) Analyze candidate responses and corrections for the identified problems.

- The service provider is primarily responsible for preparing, updating and maintaining a comprehensive set of service delivery related problems, and related procedures and actions to be taken. Responses will typically include a workaround or alternate service for the duration of the problem. Responses will also include a set of steps to take when the problem occurs, such as communication, modifying delivery plans, adjusting resources, negotiating changes to commitments or service levels, and identifying alternate services for the duration of a problem.

f) Determine required reporting and communicating frequency.

- This depends on the severity of the incident or problem.

4. Collaborate with service providers to correct problems or incidents.

- Refer to mgt02, "Performance monitoring," for SLA and performance measures, and to mgt04, "Agreement management," for status measures relating to meeting the agreement.

a) Participate in incident and problem resolution.

- The client organization may be required to participate in incident and problem resolution, especially when it regards connectivity, infrastructure and the IT environment, or technology integration. The client organization may be involved in identifying personnel or resources for incident and problem resolution, reviewing and obtaining approvals for incident and problem resolutions, or planning for resolutions and resolving incidents and problems, as required.

b) Monitor incidents and problems.

- Monitoring may be done jointly with the service provider depending upon the type and severity of incident and problem. This may include collecting data and information on incidents and problems and tracking status and progress of incidents and problems.

c) Determine responses to incidents and problems.

- Appropriate responses may be to do nothing at this time, escalate the incident or problem, create an issue related to the incident or problem, and analyze the identified problem and take preventive actions, as needed. Refer to rel04, "Issue management," regarding creating and tracking issues.

5. Collaborate with service providers to prevent known or potential problems.

- The service provider is primarily responsible for preventing known or potential problems, but changes may also be needed by the client organization. Preventive actions typically include modifying or replacing processes and systems for delivering services. They may also include adding processes and systems to address gaps and deficiencies.

6. Create plans for taking corrective or preventive actions.

a) Determine appropriate actions to be taken by the client organization for each identified, known, or potential problem, based on the impact analysis and available solutions.

- Refer to mgt06, "Service delivery change management," regarding the analysis of the Impacts of proposed changes to the delivery of the sourced service.

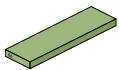
b) Determine acceptable timeframes for taking identified actions.

7. Track status and progress against plans for taking corrective or preventive actions.

a) Determine actions to take when progress deviates from the plan.

b) Take actions and track them to closure.

c. Support the implementation of participation in problem and incident monitoring and resolution.

mgt06

Service Delivery Change Management

Sourced Services Management
Delivery
Level 2
Other

Participate in change management activities.

Participate with the service providers in activities to control changes to the infrastructure or any aspect of services, in a controlled manner, enabling approved changes to be implemented with minimum disruption. Manage modifications of the services in a controlled manner in order to minimize the impact on their delivery, including ensuring that retained services remain synchronized with sourced services as service changes are implemented.

Change management is focused on ensuring that all changes are assessed, approved, implemented, and reviewed in a controlled manner. Change management should be planned and implemented with configuration and release management, as well as license and asset management, to ensure that the organization can manage its assets and configurations effectively. Configuration management is intended to define and control the components of the service and infrastructure and to maintain accurate configuration information. This accurate configuration information should be available to support the planning and control of changes, as new and updated services and systems are released and distributed. The result should be an efficient system that integrates the organization's configuration information processes and those of its customers and suppliers, where appropriate. Release management should coordinate the activities of the service providers, its suppliers, and the client organization to plan, deliver, and track release changes across a distributed environment.

The client organization should participate in control processes, such as configuration and change management, as well as release processes, such as delivering and tracking changes, as needed to ensure that the business needs are addressed, expectations are met, and client expertise is available to support these critical processes. Formal control of changes helps to verify that the client, any internal stakeholders, and the service providers maintain a common agreement concerning the services and service levels to be provided. This agreement reduces a potential source of dispute and improves the client's and end-users' satisfaction by helping to verify that the provided services match their current needs. This agreement should be based on providing the service providers with options for modifications to services and work with them to define and implement these modifications. This ensures that client requirements are well-communicated and understood.

This Practice is also related to mgt07, "Service change management," tch01, "Asset management," and tch02, "License management."

Activities

a. Provide support for creating and maintaining the work products and tasks for participating in change management activities.

b. Document and implement the work products and tasks required for participating in change management activities. Documentation and implementation include the following Activities:

1. Define and document methods to manage and control changes to the delivery of the sourced service.

- This Practice addresses operational change management—changes to the delivery of the sourced service. While some changes will not require significant work to deploy the change into the service delivery, larger changes will typically also require an amendment to the agreement. Formal guidelines will help identify which are implemented as changes to the service and which require service modifications. Changes to service would involve change management, configuration management and release management. The roles and responsibilities of the client organization and the service provider regarding initiation, categorization and approval of changes should also be clearly defined.

-
- The service provider is typically primarily responsible for resolution of the incidents and problems. However, the client organization also needs to be closely involved with implementing any change to the service, such as for configuration management and release management.
 - Change management procedures ensure that all requests for change are assessed in a structured way for all possible impacts on the operational system and its functionality.
- a) Document methods for initiating changes, both from service provider and the client organization.
 - b) Define parameters defining emergency changes and procedures to control these changes when they circumvent the normal process of technical, operational and management assessment prior to implementation.
 - These emergency changes to services will be documented and processed after the fact, due to their urgency.
 - c) Document methods for change categorization.
 - Changes may be prioritized by priority, urgency and impact.
 - d) Document methods for change approval.
 - e) Document applicable methods for change implementation, including configuration management and release management.
 - f) Document methods for creating required amendments to the agreement.
 - Some changes to the service may require an amendment to the agreement, based on the scope and impact of the change.

2. Analyze proposed changes to the delivery of the sourced service.

- a) Decide whether the proposed change is within the scope of the current agreement or whether it requires an amendment to the agreement.
- b) Analyze the impact of proposed change to the services being delivered.
 - Potential impacts could include costs, resources, training, process changes, or service levels.
- c) Analyze the impact of the proposed change on the technology infrastructure.
 - At Capability Level 3, refer to gov05, Align strategy and architectures.”
- d) Analyze the impact of the proposed change on business processes.
 - At Capability Level 3, refer to gov06, “Business process integration.”

3. Coordinate with the service provider to create plans for service changes.

- a) Identify the tasks needed to implement service change.
- b) Identify the personnel and responsibilities for performing the tasks required to implement the service change.
- c) Create a schedule of tasks.
- d) Identify resources needed to implement service change.
- e) Review the plan for correctness, clarity, and adequacy.
- f) Obtain approval of the plan from the relevant stakeholders.

Service Delivery Change Management cont'd

4. Track and control service changes.

→ Monitoring service changes may be done jointly with the service provider.

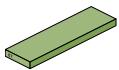
a) Track status and progress against the plan.

b) Determine actions to take when progress deviates from the plan.

c) Take actions and track them to closure.

c. Support the implementation of participation in change management activities.

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mgt07

Service Change Management

Establish and implement procedures to manage modifications to services.

Sourced Services Management
Delivery
Level 2
Procedure

Identify needed modifications to services as client requirements and markets change and ensure that issues of managing change to services and changes in the technology base for a specific engagement are addressed. Major business changes, due to growth, business mergers, acquisitions and reorganizations, and changing customer requirements, can require service levels to be adjusted, redefined, or even temporarily suspended. Also, data from sourcing management activities can assist in identifying the strengths and weaknesses of provided services to help the organization better achieve its sourcing objectives. Service level management activities should manage and coordinate agreement of the service requirements and expected service workload characteristics, ensure agreement regarding service targets, and plan and implement new or changed services to ensure that these new services and changes to services will be deliverable and manageable at the agreed cost and service quality.

Effective service management disciplines help ensure that the effect of changes to one area of the infrastructure or business process are identified prior to the change, that changes are planned, and that back out plans are in place. These activities may be integrated into an organization's overall change management process to ensure coordination between the business needs, sourcing management, and service providers. The process should encourage both the service provider and the customer to develop a proactive attitude ensuring that they have joint responsibility for the service. Tracking service modifications, whether they be small or large or require modification of agreements or not are done in conjunction with the service provider to ensure most current information is available to service receivers. Ensure end user expectations are synchronized with current service definitions to increase the end user satisfaction with sourced services.

Service modifications represent the control of any change to the service, no matter the size. It is important for client organizations to be able to analyze these changes and determine which are small, which are large, and which require formal amendments to the agreement. This decision may vary by service or agreement, but typically, small changes will only require a service modification and will not require significant work to deploy the change into the service delivery. Some changes may not require a change to agreements, such as volume changes, location changes, or work that can be added or subtracted under the existing agreement. Larger changes will typically require an amendment to the agreement. Whether or not it requires an amendment to the agreement, any change should be analyzed to decide whether the Initiation Practices need to be re-implemented. For example, the client may need to review and verify service changes (tfr02, "Verify design") and plan and track the deployment of the modified service (tfr01, "Service transition").

The Practice is closely related to mgt06, "Service delivery change management," mgt04, "Agreement management," and agr07, "Amend agreements." This Practice is also related to gov05, "Align strategy and architectures," which is focused on ensuring the management and alignment of the technology and business strategies and architectures.

Activities

- a. Provide support for creating and maintaining the procedures for managing modifications to services.
- b. Document and implement the procedures required for managing modifications to services. Documentation and implementation include the following Activities:

1. Create guidelines to control modifications to the service design or delivery.

- The services being delivered are formally defined as part of the service specification and are based on the client's requirements and the agreement between the organization and the service provider. Examples of modifications to services include changes to service levels, amendments to the terms and conditions of the agreement, and changes to the scope of work. Any or all of these may need to be modified as part of a modification to services. Formal guidelines will help identify which of the services need to be modified, and will outline a process to request service modifications.

2. Identify and track requests for service modification.

- In many types of sourcing, the services being provided may include a modification to service (e.g., application management sourcing typically will include modifications to applications as a service being offered). It is important to differentiate between this modification service, which is itself the defined service; and the process for modifying the set of services being provided, including change in service levels, which would involve changing the service specification and hence may require an amendment to the agreement between the client organization and its service providers. The agreement may make provisions for certain types of service changes to be made without the need for an amendment. More significant changes may trigger the process of creating, negotiating and implementing an amendment to the agreement.

3. Analyze proposed service modifications before making any changes.

a) Analyze the impact of proposed modifications to the sourced services being delivered.

- At Capability Level 2, the service definition should be reviewed to identify impacts to this service. Potential impacts can also include pricing and service levels. Other impacts identified may affect other services or business processes. At Capability Level 3, these analyses are expanded to identify potential impacts to the technology infrastructure. Refer to gov05, "Align strategy and architectures." At Capability Level 3, potential impacts to the organization's structure and process model should also be identified. Refer to opa01, "Define current state," ocm03, "Define future state," and gov06, "Business process integration."

b) Decide whether the proposed modification is within the scope of the current agreement or whether it requires an amendment to the agreement.

- The agreement may make provisions for certain types of service changes to be made without the need for an amendment (e.g., changes which may not require an amendment if the impact is low). These changes can be managed through modifications to the service specification. More significant changes may trigger the process of creating, negotiating and implementing an amendment to the agreement.

4. Obtain approval for the proposed service modifications.

- The type and levels of approval may vary, if the request is an additional service request, an out of scope request, minor modification to service, or a major modification requiring service design and deployment activities by the service provider.

5. Coordinate with the service provider to create deployment plans for service modifications.

- Changes to the service should include the creation of a deployment plan.

a) Communicate approval of the service modifications to relevant stakeholders.

b) Identify the tasks needed to implement service modifications.

c) Identify the personnel and responsibilities for performing the tasks required to implement the service modifications.

d) Create a schedule of tasks.

e) Identify resources needed to implement service modifications.

f) Review the deployment plan for correctness, clarity, and adequacy.

Service Change Management cont'd

- g) Coordinate the deployment plan for service modifications with relevant stakeholders.
 - Stakeholders may include internal client representatives, including business units and end-users, as well as external stakeholders, such as other service providers, impacted by the service modification.

- h) Obtain approval of the deployment plan from the relevant stakeholders.
- i) Determine actions to take when progress deviates from the plan.
- j) Take actions and track them to closure.

6. Coordinate technology changes to support the approved service modifications.

- a) Coordinate technology changes with internal stakeholders.
 - At Capability Level 3, this coordination expands to ensure that technology changes are aligned with the client organization's technology strategy. At Capability Level 3, this coordination may also expand to integrate technology changes with the client organization's technology architecture. Refer to gov05, "Align strategy and architectures."

- b) Coordinate technology changes with the technology integration with service provider.
 - Refer to tch03, "Technology integration."

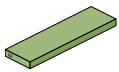
7. Modify sourced services, or service levels, based on approved service modifications.

- Examples of modifications to services include changes to service specifications, service levels, terms and conditions of the agreement, and scope of work. Modifying the services often includes changing the processes or technology as well as training the personnel.

- a) Maintain documentation for modifications made to the services.
 - Modifications will typically require modifying the service specification. They may also require modifying the service level agreement, agreement documentation, processes, job aids, etc.
- b) Create service continuity plans to provide assurance during deployment of the changes.

c. Support the implementation of managing modifications to services.

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mgt08**Review Service Performance****Establish and implement procedures for reconciling service performance against expectations.**

Sourced Services Management
Delivery
Level 2
Procedure

Aligning the mutual understanding of the agreement's performance criteria and clearly defined client expectations over the Sourcing Life-cycle are critical to maximize the value derived from a sourcing action. A procedure to reconcile service provider performance against expectations as a trend over time will lead to fact-based decisions for fine tuning client requirements and expectations, the services delivered and their performance, and, eventually, for future sourcing decisions between sourcing options. Expected results of the sourcing action may be clearly tied to business benefits in areas such as financial impact to the business, e.g., cost reduction, faster revenue collection or inventory turnover, higher revenue; impact to the business, e.g., better control and management, new functionality; and risk management, e.g., political risk or market risk.

Manage the performance of service providers in order to help ensure that the client organization receives the agreed-to service. Effective management includes identifying deviations in the performance of service providers, and taking the appropriate corrective action to assure expected service delivery.

Relationship management should ideally be proactive and collaborative, with clients and service providers working together to resolve issues. This Practice is related to rel04, "Issue management," and mgt02, "Performance monitoring."

Activities

- a. Provide support for creating and maintaining the procedures for reconciling service performance against expectations.**
- b. Document and implement the procedures required for reconciling service performance against expectations. Documentation and implementation include the following Activities:**

1. Determine measures to track service performance.
 - The engagement objectives from anticipated business benefits, service level agreement or any other mutually agreed document for engagement management, such as a Governance Charter; are the sources to determine expected service performance attributes. Refer to agr05, "Define SLAs and measures."
 - a) Determine the attributes to measure to determine if service commitments are being met.
 - Attributes to measure include status and progress of work, effectiveness of service delivery, performance against service level agreements, anticipated business benefits, etc.
 - b) Determine the performance measures for the attributes.
 - Refer to mgt02, "Performance monitoring," for determining measures for tracking service performance.
 - c) Determine the analyses and indicators that support decision making based on service performance.
 - For service levels, the criteria for acceptable performance may be specified in service-level agreements with the service provider. Actions to take may include reporting from the service provider; defining an action plan, including responsible personnel, time frames, and resources required; and verifying implementation of the planned actions. The action may be specified in the agreement, or any other mutually agreed document for engagement management, such as a Governance Charter.

2. Collect data on service performance.

- The service performance data is reported by the service provider as per the schedule and terms specified in the service level agreement or any other mutually agreed document for engagement management, such as a Governance Charter. Refer to mgt02, "Performance monitoring." Examples of service performance data include service delivery performance data, change management performance, and any other measures.

3. Analyze service performance data.

- a) Identify performance measures to demonstrate success.
 - During negotiations, organizations may spend a significant amount of time developing measures, and then fail to require the service provider to report on these measures. Service provider reporting may not include these critical measures as a default.
- b) Analyze selected performance measures for clear and demonstrable evidence of the success of the agreement.
 - This analysis is to determine if acceptable performance was achieved, and to compare current values and trends to the defined ranges for acceptable performance. Data analysis may use appropriate sampling techniques.

4. Identify gaps between the actual (or predicted) and the required performance.

5. Identify actions to take, as appropriate, when there are gaps.

- Possible actions could include accepting the situation, updating SLAs, making performance improvements, or performing further analyses of the gaps. For example, a root cause analysis of the gap may identify potential changes that need to be implemented. The action could also include fine tuning the service delivery. The actions to take can either be jointly identified with the service provider; or if either the client organization or the service provider identifies the actions, the other party should agree on the actions identified.

6. Maintain the data and analyses for future use.

- Refer to gov02, "Service provider management," regarding maintaining and using service provider performance data in reviews of service provider performance. At Capability Level 3, refer to gov04, "Defined sourcing processes," regarding the establishment of a measurement repository. Possible future uses of these data and analyses may include cross-engagement analyses, future sourcing decisions between sourcing options, process improvement efforts, and service provider performance evaluation and improvement, as appropriate.

c. Support the implementation of reconciling service performance against expectations.

mgt09

Stakeholder Feedback

Sourced Services Management
Delivery
Level 3
Guideline

Establish and implement guidelines to collect and analyze stakeholder inputs and feedback.

Collect, analyze and use stakeholder information in order to improve service delivery, sourcing management, and relationships with stakeholders. Effectively analyzing and using stakeholder information enables the client organization to better understand its stakeholders' expectations and perceptions, and to take action to better meet their needs. Understanding this information, when analyzed in conjunction with service and service condition measures and client organization requirements, can lead to improvement actions whether the information is positive (e.g., using feedback about what worked well) or negative (e.g., conducting root cause analysis of reported problems).

Analysis of negative feedback data may lead to a number of different root causes, e.g., communications plan deficiency, service failure, or end user expectations not aligned with organizationally-driven service definitions or levels. Careful analysis is particularly important when a sourcing action changes the delivery process or institutes service levels that are different from the previous end-user service experience.

Stakeholder information primarily comes from feedback received directly from the stakeholders. Stakeholders include the service provider, the organization's Board of Directors, C-level enterprise executives, line of business management, end-users, employees, and others tied into the organization's systems. This feedback is crucial for quality and process improvement.

This Practice is related to knw04, "Lessons learned." Both this Practice and knw04, "Lessons learned," analyze and use information from sourcing activities. The focus of knw04 is on using lessons learned from current and past sourcing activities in order to make improvements in current and future sourcing initiatives. The focus of mgt09 is on using this information, with a particular emphasis on stakeholders' feedback, as a basis for improving relationships and better meeting the stakeholders' needs. Information obtained in this Practice is used to improve relationships with employees (ocm06, "Organizational change"), internal stakeholders and end-users (rel03, "Internal relationships"), and service providers (rel02, "Service provider relationships"), including achieving a better cultural fit (rel05, "Cultural fit").

Activities

a. **Provide support for creating and maintaining the guidelines for collecting and analyzing stakeholder inputs and feedback.**

b. **Document and implement the guidelines required for collecting and analyzing stakeholder inputs and feedback. Documentation and implementation include the following Activities:**

1. Identify types of stakeholder information that need to be collected and analyzed.
 - Stakeholders include customers, partners, users, end-users, service provider, etc. Information needed could include feedback on service and its delivery, service performance, sourcing management processes, or relationship management.
2. Identify attributes that require client and other stakeholder feedback.
 - Attributes typically focus on stakeholder satisfaction in areas of service quality, service timeliness, effectiveness of interaction, as well as the varying perspectives of stakeholder satisfaction with the sourced service, the service provider, and with the sourcing project.

3. Identify sources for stakeholder information.

- Stakeholder information is typically gathered both directly from the stakeholders and from external sources. Direct stakeholder feedback can be gathered through satisfaction surveys, meetings, and documenting feedback received from stakeholders. External sources can include structured research and participation in industry forums.

4. Periodically collect and maintain the identified stakeholder information.

- This regular basis should be ongoing throughout the Initiation, Delivery and Completion phases of the Sourcing Life-cycle; not just performed once as a termination or completion activity. Refer to rel03, "Internal relationships."

- a) Select tools and methods to collect and maintain stakeholder information.
- b) Determine timeframes for collecting and maintaining stakeholder information.
- c) Identify contact personnel and media for collecting information.
- d) Collect and organize obtained information into the knowledge system.

5. Analyze the collected stakeholder information.

- a) Analyze effectiveness of how service supports engagement objectives and business goals of the client organization and the service provider.
- b) Determine actions needed to improve relationships with stakeholders.
- c) Identify other opportunities for improvement.

6. Use stakeholder information, as appropriate.

c. Support the implementation of collecting and analyzing stakeholder inputs and feedback.

mgt10

Sourced Services Management
Delivery
Level 3
Procedure

Service Value Analysis

Establish and implement procedures for performing value analysis of the sourced service.

Expected value propositions for the sourcing action and their expected outcomes must be well defined and documented. Establishing a baseline, that also takes into account these outcomes achieved, helps quantify value gaps over the life cycle of the sourcing action and facilitates partnering behaviors between the provider and the client. Value propositions must also be consensually validated across the client organization's stakeholders because of differing interpretations. Cost savings are not the same as lower overall spending and misunderstanding about the desired value propositions often generate issues between the provider and client. It is useful to state value propositions as outcomes or goals that are quantifiable and measurable.

Activities

a. Provide support for creating and maintaining the procedures for performing value analysis of the sourced service.

b. Document and implement the procedures required for performing value analysis of the sourced service. Documentation and implementation include the following Activities:

1. Maintain and review the business case that documents how the service provider supports the organization's business objectives.

- The business case should cover the value that the service provider is providing the organization, as well as what benefits that translates into for the client. It should include measurements of success that allow the organization to quantitatively measure value delivered by the service provider.
- Refer to app02, "Business case" for the initial creation of the business case for establishing the service provider relationship.

2. Identify attributes of the business case and service provider performance to examine based on organizational objectives and client input.

3. Create the approach used for comparing data between the service provider performance and the business case.

- At Capability Level 3, this approach is based on performance data. It can also consider factors such as the extent to which the provider's performance is improving over time. As the client organization moves to implement Capability Level 4 Practices, these approaches can be expanded to include benchmarking studies to assess how the provider's performance compares with value being delivered to similar clients.

a) Identify the information required to create the desired value comparison.

b) Determine actions to take when the business case objectives are not being met.

4. Compare service provider performance to business case targets, identifying value leakage.

5. Document results of the value analysis.

- As both the business and technological environment change, the overall value of existing sourcing arrangements may vary in the future. Organizations need to conduct value analysis periodically to ensure that the value of sourcing using service providers is sustainable. Based on the new analysis, organizations will make the decision to continue the current sourcing arrangements, switch to other service providers, internalize the sourced service, or abandon the activity.

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- The results of this value analysis are used to improve the service, and aggregated into value analysis activities across the organization in Practices val06, “Business value and impact” and val07, “Sourcing alignment.” These results are also used in mgt11, “Continuation decision.”

6. Identify improvements that are needed when value leakage occurs.

7. Participate in service improvement programs to address identified improvements.

- A service improvement program (SIP) is a formally managed project undertaken to identify and introduce measurable improvements. An overall quality plan or service improvement plan should be developed and regularly maintained to promote continuous improvement and enhance the business value of the sourced service.

a) Define a service improvement program for pursuing cost-justified improvements to the sourced service to minimize value leakage.

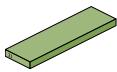
b) Set realistic targets for continuous improvement year-on-year for the sourced service.

c) Coordinate the service improvement program with relevant stakeholders.

- Responsibility for implementing components of the service improvement program (SIP) may reside with the service provider, or may require coordination with, and actions by, internal stakeholders.

c. Support the implementation of performing value analysis of the sourced service.

mgt11



Continuation Decision

Establish and implement procedures for making decisions about continuing the sourced service.

Sourced Services Management
Delivery
Level 2
Procedure

Aligning the mutual understanding of the agreement's performance criteria and clearly defined client expectations over the Sourcing Life-cycle are critical to maximize the value derived from a sourcing action. A procedure to reconcile provider performance against expectations as a trend over time will lead to fact-based decisions for fine tuning the services delivered and eventually for future sourcing decisions between sourcing options. These sourcing decisions may include continued delivery of the sourced service with no changes, identifying necessary amendments to agreements, renewing agreements for an extended duration, or terminating the agreements that are currently in place. Effective management includes taking the appropriate corrective action to assure expected service delivery, if needed. These corrective actions must be grounded in a disciplined process for making these decisions in conjunction with the appropriate internal stakeholders.

This Practice is closely related to mgt08, "Review service performance," mgt09, Stakeholder feedback," and mgt10, "Service value analysis."

Activities

a. Provide support for creating and maintaining the procedures for making decisions about continuing the sourced service.

b. Document and implement the procedures required for making decisions about continuing the sourced service. Documentation and implementation include the following Activities:

1. Identify the relevant criteria for making the decision on continuing the sourced service.
2. Identify the service for continuation with the service provider.
 - The decision to continue service should be taken sometime before the completion to avoid any disruption in service during the intervening period of completion and continuation decision. Hence the identification of service needs to be done sufficiently early to enable timely decision on continuation. Request for continuation may also come from the service provider.
3. Create estimates of the cost of service completion.
 - These estimates should address completion costs, as well as costs of resource transfer, personnel transfer, knowledge transfer, and any other costs of transferring the service to another service provider, whether it will be insourced or moved to another service provider.
4. Collect data on the service and organizational objectives.
 - a) Identify organizational objectives.
 - These objectives may be those for the engagement, the sourced service, the service provider relationship, other business goals, or financial objectives.
 - b) Collect data from reviews of sourced service's performance.
 - c) Identify and collect other sources and types of information.
 - Information sources other than performance reviews include financial management, resource consumption, stakeholder surveys, relationship and issues management for the engagement.
 - d) Identify and collect market data on the service and the service provider.
 - e) Collect inputs and feedback from the service provider on continuing the service.
 - f) Identify barriers to service continuation.

5. Analyze the data collected.

- Analysis includes ascertaining if the service continuation would result in achieving anticipated benefits, based on the historic performance.
 - a) Analyze whether the objectives have been met, and to what degree.
 - b) Analyze service performance.
 - c) Analyze relationship performance.
 - This analysis may consider factors such as issues raised and resolved, amendments to the agreement, ease-of-relationship management, and value addition.
 - d) Analyze resource consumption.
 - Resource consumption would also include the resources involved in managing and governing the relationship and the service.
 - e) Analyze barriers to service continuation.
 - Barriers may include current sourcing risks. Refer to thr01, "Sourcing risk management."

6. Define objectives for continuation of service.

- Objectives may address cost, performance, resource, or relationship.

7. Maintain the business case, as appropriate, for service continuation.

- Refer to app02, "Business case," regarding the establishment and maintenance of the business case for sourced services. Any update to the business case should be based on an analysis of organizational objectives, historical performance, costs, benefits, risks, and resource constraints. The business case identifies the anticipated benefits to be achieved by continuing the service; periodic tracking of business case helps verify that the anticipated benefits will be realized. Service continuation may be to continue with the existing services, add additional scope, or reduce scope.

- a) Update the business case to reflect service continuation objectives.
- b) Review the business case with relevant stakeholders.

8. Decide on continuation of the service based on the establish continuation criteria, review of the business case, business and sourcing objectives, and the needs of the business.

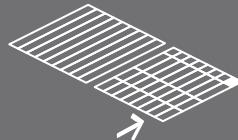
- a) Communicate the decision to relevant stakeholders.
- b) Modify service requirements and agreements, as required, to implement the continuation decision.

c. Support the implementation of making decisions about continuing the sourced service.

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cmp

Sourcing Completion



The Sourcing Completion Practices focus on transferring resources between the service provider and the client, or another service provider. This includes completion planning and making provisions for the closure of the sourced service (and perhaps, its relationship) and ensuring that the hand-off is smooth. All Sourcing Completion Practices are in the Completion phase of the Sourcing Life-cycle. These Practices cover the following:

- Completion analyses: Assessing the outcome of the sourced service as well as the performance of the service provider and in-house teams.
- Continuity of service: Ensure continuity of service during Completion.
- Document results: Ensuring that the project effectiveness, lessons learned, best practices, and key project metrics are documented. These enable the client to evaluate performance measures across other sourcing projects and can serve as guides for undertaking future sourcing initiatives.
- Perform completion: Following a formal process for concluding the sourced service, ensuring all deliverables are consolidated (code, system documentation, etc) and are handed back to the client, along with required knowledge transfer, as directed by the client organization.

cmp01

Completion Planning

**Sourcing Completion**

Completion

Level 2

Plan

Plan and track completion of the sourced service.

Standard termination procedures ensure that the act of exiting or transitioning out of a sourcing relationship is efficient and well-managed. In addition to making sure that financial and other substantive commitments are identified and met, client organizations should pay attention to the health of the relationship so as to make it possible for both parties to separate amicably. The termination of a relationship may bring with it numerous legal and regulatory matters that must be navigated together so as to avoid any misunderstanding or wrongdoings. A documented procedure ensures that all outstanding commitments are captured and plans are detailed for how to execute these commitments. This will minimize the disruption to the internal operations of each respective organization.

For services transitioning to another service provider, the completion plans may need to be closely aligned with the transition plans developed by the client and the incumbent service provider.

This Practice is closely related to mgt01, “Perform sourcing management,” regarding completion planning, and to mgt11, “Continuation decision,” regarding the organization’s decisions about completing the service.

Activities

a. Provide support for creating and maintaining the work products and tasks for planning and tracking completion of the sourced service.

b. Document and implement the work products and tasks required for planning and tracking completion of the sourced service. Documentation and implementation include the following Activities:

1. Create a completion plan.

a) Review the completion plan on a periodic basis.

→ A completion plan should be updated at least once annually.

b) Maintain the completion plan as conditions change.

2. Create estimates of transition effort.

a) Identify requirements and commitments that will impact transition of the service on completion.

b) Analyze requirements to identify transition tasks.

c) Create estimates of the resources required from the service provider for transitioning the service; including the effort and time frame required for each task.

→ Resources to be estimated can include monetary resources, personnel, knowledge, technology, and facilities infrastructure.

d) Identify staffing requirements to support transition of the service on completion.

→ The client organization’s service transition team could consist of key personnel that would be managing the service delivery or transition specialists, if applicable. In some instances, the organizations identify a transition coordinator to work closely with the service provider for planning and tracking the transition of the services back to the client organization or to a new service provider.

3. Create detailed plans for service transition from the service provider to the client, or its designee, on completion.

→ Plan and schedule the termination of agreement carefully. A plan should list equipment, software and personnel changes to be made and time schedule for the events to take place. Preparing transition plans and maintaining continuity of service is often the service provider's responsibility, if it has been incorporated into the agreement; and the client organization reviews and approves the plan, and tracks the status and progress. If service provider is not contractually obligated to prepare the plan, the client organizations may prepare the plan jointly with the service provider; if both the parties agree, based on some conditions. Otherwise, this responsibility falls on the client organization to ensure that transition is adequately planned and prepared for.

- a) Create transition plans and schedules.
- b) Create a schedule of milestones and progress reviews.
- c) Identify processes required to be transferred.
- d) Identify technology separation requirements.
 - Refer to tch03, "Technology integration," regarding technology separation planning.
- e) Identify personnel and training required to transition the service on completion.
- f) Identify knowledge transfer requirements.
- g) Identify additional resources required to transition the service on completion.
- h) Determine the attributes and their measures to be tracked.
- i) Determine the methods to be used for tracking the defined attributes.
- j) Analyze the readiness for successful transition of the service on completion.
 - Successful transition is dependent upon the ability to transfer with minimal problems. Client organizations need to identify parameters and measures to verify the readiness for deployment to the client or its designee.

4. Review and approve plans for service transition from the service provider to the client, or its designee, on completion.

- a) Review plans for correctness, clarity, and adequacy.
- b) Obtain approval of plans from the relevant stakeholders.
- c) Communicate plans to relevant stakeholders.
- d) Periodically review and maintain the plan for service transition from the service provider to the client transition on completion.

5. Approve the plans for service transition from the service provider to the client, or its designee, on completion.

6. Track status and progress against the plans, according to the defined tracking methods.

→ Information required for tracking includes status reports and engagement milestones. The client organization's service transition team should ensure that the progress status is reported by the service provider as per the agreed terms, and should validate the service provider's report with own assessment of service transition progress.

- a) Determine actions to take when progress deviates from the plan.
- b) Take defined actions and track them to closure.

Completion Planning cont'd

7. Define and implement procedures to manage agreements during Completion.
 - a) Manage the renegotiation or end of the agreement.
 - b) Maintain financial control throughout the length of the agreement and have re-selection aligned with business planning cycles and an ongoing review of business objectives.
- c. **Support the implementation of planning and tracking the completion of the sourced service.**

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cmp02

Service Continuity



Establish and implement procedures to ensure the continuity of service during Completion.

Sourcing Completion
Completion
Level 3
Procedure

Ensure service continuity as service is transferred to the client or to another service provider in order to improve client satisfaction. Facilitating and monitoring the transfer of service helps ensure that the client's business is not disrupted.

Different approaches can be taken to maintain continuous service, such as providing a parallel service, a staged transfer of service, or a straight transfer of service. The approach taken will depend on the associated risks. In some cases, continuity of service may not be critical, or necessary. Whether continuity needs to be maintained, and if so, what approach will be used, should be negotiated with the service provider; the agreed-upon approach may be outlined in the agreement. For instance, if service delivery is vital to the client's survival, then an approach providing parallel service or a staged transfer is most appropriate.

This Practice is related to thr06, "Business continuity."

Activities

a. Provide support for creating and maintaining the procedures for ensuring the continuity of service during Completion.

b. Document and implement the procedures required for ensuring the continuity of service during Completion. Documentation and implementation include the following Activities:

1. Assess readiness of the client organization, or designee, as appropriate, to provide the service.
 - This readiness assessment should focus on the client organization's ability to manage the ongoing service, as well as the capability of its organization or that of its designee to provide the service. The client's designee could be another service provider selected to provide the service following completion of this engagement.
2. Review the organization's plans for business continuity.
 - The organization should already have in place business continuity plans.
3. Create a plan for maintaining continuity of service during Completion.
 - This may be one or more plans for maintaining continuity of service. The service continuity plans should include the approach taken to maintain continuous service—e.g., parallel service or staged transfer. Preparing, plan and maintaining continuity of service is the service provider's responsibility, if it has been incorporated into the agreement; and the client organization reviews and approves the plan, and tracks the status and progress. If service provider is not contractually obligated to prepare the plan, the client organizations may prepare the plan jointly with the service provider; if both the parties agree, based on some conditions.
 - a) Identify the role of third parties and partners in maintaining continuity of service.
 - Third parties may include sub-contractors or other parties necessary to support ongoing service delivery.
 - b) Create a schedule for maintaining continuity of service.
 - c) Identify and provide any training needed for personnel taking over the service.
 - Refer to tfr04, "Personnel transferred out" for practices relating to preparing people for transitioning of the service.

d) Test the release of service.

- The release test should verify that the client organization or its designee is fully prepared to begin delivery. Personnel responsible for the service delivery should participate in the release test and have an opportunity to voice concerns. Release testing includes creating business scenarios (e.g., service requests, problem events, and escalations) and testing the service delivery within these scenarios.

e) Address any issues uncovered in the release testing.

f) Create contingency plans in the event of failure of service.

- A contingency plan would be used if it becomes necessary to find an alternative for the delivery of some or all of the sourced services within a relatively short time frame. In this scenario, retrieving the services and using staff to provide them is not likely to be a viable option due to lack of time. The contingency plan therefore needs to focus on the activities required to replace the current service provider with another provider. As part of the contingency plan, the organization should ensure that it regularly receives up-to-date lists of technology or infrastructure assets, and up-to-date systems documentation.

g) Obtain review and approval of the service continuity plan by the relevant stakeholders.

4. Track status and progress against the plan for maintaining continuity of service.

- a) Determine actions to take when progress deviates from the plan.
- b) Take actions and track them to closure.

5. Provide client approval on the transfer of service.

- Typically the approval criteria are specified in the agreement. If they are not, they should be documented and agreed-upon in either the service continuity plan, or the service completion or transition plan.

6. Conduct post-implementation reviews of the transfer of service and identify potential improvements or open issues.

- a) Determine actions to take regarding open issues.
- b) Take actions and track them to closure.

7. Document lessons learned during Completion.

- Refer to knw04, “Lessons learned,” regarding capture and use of these lessons.

c. Support the implementation of ensuring the continuity of service during Completion.

cmp03

Resources Transfer from Service Provider



Ensure that resource transfer during Completion is managed according to documented procedures.

Sourcing Completion
Completion
Level 2
Procedure

Verify and account for resources transferred in order to help ensure a smooth hand-over and improve stakeholder satisfaction. Resources are typically transferred from the service provider during Completion, but may happen during Initiation or Delivery as well. Resources to be transferred can include service-related documents, software, hardware, licenses, facilities, personnel, and other assets. Resources can also include contextual knowledge gained during the client engagement (such as the techniques and methods created), information needed to carry out the tasks, lessons learned, and troubleshooting methods.

This Practice is closely related to cmp04, “Personnel transfer from service provider.” While the focus of cmp04 is on the transfer of personnel, this Practice is an overarching Completion Practice that covers the effective transfer of all resources, including personnel. Personnel transfer is critical and has a high risk of failure if it is not done well, so cmp04 is defined as a separate Practice.

Activities

- a. **Provide support for creating and maintaining the work products and tasks for ensuring that resource transfer during Completion is managed according to documented procedures.**
- b. **Document and implement the work products and tasks required for ensuring that resource transfer during Completion is managed according to documented procedures. Documentation and implementation include the following Activities:**
 1. Identify resources to be transferred from the service provider.
 - a) Identify from the agreement with the service providers the types of resources to be transferred.
 - This information may be specified in the agreement or amendments, in full or in part. Further detail may be agreed to in other documentation, such as the service specification.
 - b) Identify from the internal business units and other internal stakeholders the specific resources required to be transferred.
 2. Identify communication channels, including contact personnel for each organization involved in the transfer from the service provider.
 - Contact personnel include those responsible for coordination, reporting, and escalation.
 3. Define the criteria for acceptance of resources being transferred from the service provider.
 - Criteria for accepting resources include suitability of the resources to the identified requirements, contractual requirements, quantity received, and quality of resources.
 - Typically, the acceptance criteria are specified in the agreement. If not specified in the agreement or completion plan, these should be identified and coordinated with the service provider.
 4. Coordinate a resource transfer plan with the service provider.
 - a) Identify resource transfer tasks, especially tasks covered in the agreement.
 - b) Create estimates of the resources required, including the effort and time frame for each task.
 5. Verify the resources before acceptance, according to the defined criteria.

6. Maintain records of resources transferred from the service provider.

- Records maintained for resources include details on date of receipt, condition of the resources, modifications done to the received resources, approvals on the modifications, and performance of the resources.

7. Track status and progress against the resource transfer plan.

- a) Determine actions to take when progress deviates from the plan.
- b) Take actions and track them to closure.

8. Provide client approval for resources transferred from the service provider.

- Approval indicates that the resources transferred are the resources expected to be received by the organization. Typically the approval criteria are specified in the agreement.

c. Support the implementation of resource transfer during Completion.

cmp04

Personnel Transfer from Service Provider


Sourcing Completion

Completion

Level 2

Procedure

Ensure that the transfer of personnel during Completion is managed according to documented procedures.

Smoothly transfer personnel from the client organization in order to enable the service provider to fulfill their obligations defined in their agreements with the client organization. The effective transfer of personnel enables the service provider to maintain service continuity for the client. The transfer of personnel from the client organization typically occurs during Completion, but may happen during Initiation or Delivery as well.

This Practice is closely related to cmp03, “Resources transfer from service provider.” While the focus of this Practice is on the transfer of personnel, cmp03 is an overarching Completion Practice that covers the effective transfer of all resources, including personnel. Personnel transfer is critical and has a high risk of failure if it is not done well, so this Practice is defined as a separate Practice.

Activities

a. Provide support for creating and maintaining the work products and tasks ensuring that the transfer of personnel during Completion is managed according to documented procedures.

**b. Document and implement the work products and tasks required for ensuring that the transfer of personnel during Completion is managed according to documented procedures.
Documentation and implementation include the following Activities:**

1. Identify personnel to be transferred to the organization.
 - This information may be specified in the agreement or amendments, in full or in part. Further detail may be agreed to in other documentation, such as the service specification.
2. Collect information about the current conditions related to the personnel available for transfer.
 - Information to be collected includes current level of benefits and compensation, resources available, personnel skills, job titles, reporting structure, and cultural attributes (e.g., casual dress, decision style, communication style). Information should also be collected about local labor laws, unions, and any protected labor categories (e.g., age, race).
3. Analyze collected information about the conditions at the organizations involved in the transfer.
4. Establish a personnel transfer approach based on the analysis.
 - Transfer approach should address equalization of benefits and compensation, offers (e.g., are all affected personnel being given offers, or just some), deficiencies in skills, and management of risk (e.g., if key personnel do not take the transfer offer). Refer to ocm04, “Human resource changes,” regarding organizational plans for appropriate human resource actions.
5. Make offers to the identified personnel.
6. Transfer the personnel who accepted offers.
 - a) Provide orientation to transferred personnel.
 - Orientation should include information on cultural attributes and norms that are unique to the organization or different from the client. The organization should be prepared to address any cultural gaps that continue to be an issue over time.
 - b) Provide training to transferred personnel.
 - c) Provide resources to transferred personnel.
 - Resources may include information on reporting structures, procedures and policies, and access to corporate infrastructure (e.g., security passes, business cards, e-mail accounts, equipment).

7. Implement appropriate human resource actions for those personnel not being transferred with the service.

- Refer to ocm04, "Human resource changes," regarding organizational plans for appropriate human resource actions.
- a) Provide internal transfer or reassignments, based on personnel competencies and organizational needs, as appropriate.
 - The client organization may choose to recapture some personnel to ensure continuity of service or ensure the availability of specialized expertise.
- b) Establish outplacement services for personnel who are not transferred, as appropriate.
 - The need for outplacement services is typically specified in the agreement. The client may take responsibility for personnel not transferred or may require the service provider to take that responsibility.

8. Identify gaps in personnel and workforce competencies based on the transfer of personnel.

- Gaps may exist in the workforce competencies because key personnel have not been transferred to the organization. Gaps may exist in personnel competencies because the transferred personnel are missing skills needed to meet the agreed-upon service delivery commitments.

9. Take actions needed to address gaps in personnel and workforce competencies, and track them to closure.

- Actions that can be taken to address gaps include acquiring (training, hiring or renting) the necessary personnel resources to deliver the service or deploying the necessary tools and knowledge sources to support personnel in delivering the service.

10. Obtain approval for the personnel transferred to the organization.

- Approval indicates that the personnel transferred are the personnel expected to be received by the organization. Typically the approval criteria are specified in the agreement.

c. Support the implementation of transfer of personnel during Completion.

cmp05

Knowledge Transfer from Service Provider



Ensure that knowledge transfer during Completion is managed according to documented procedures.

Sourcing Completion
Completion
Level 2
Procedure

Transfer the knowledge needed by the client or their designee during Completion in order to enable the client to understand important information about the service delivery. An established procedure is essential for the client organization to be fully prepared to manage Completion should the need arise.

Knowledge the service provider gained during the engagement may represent the client organization's intellectual property. For this reason, unlike other Completion Practices that cover potential transfers to or from the client's designee, this Practice limits the requirement to the transfer of knowledge between the service provider and the client. Depending on the intellectual property agreements made between the service provider organization and the client, it may not be appropriate to transfer knowledge to another service provider.

Activities

a. Provide support for creating and maintaining the work products and tasks for ensuring that knowledge transfer during Completion is managed according to documented procedures.

b. Document and implement the work products and tasks required for ensuring that knowledge transfer during Completion is managed according to documented procedures. Documentation and implementation include the following Activities:

1. Identify knowledge gained during the specific sourcing activity that may be transferred to the client.

→ The knowledge gained may include business and technical requirements of clients and end-users, key problems and issues identified during requirement specification, service specifications created from client requirements, work instructions prepared for providing the service, quality specifications created based on client requirements of service level expectations, identified security requirements, identified engagement-specific risks, identified engagement-specific regulatory and statutory requirements, identified cultural attributes, identified personnel competencies needed for a specific engagement, corrective and preventive actions that include client involvement, and a summary of client feedback.

2. Identify, from the agreement and other documents, types of knowledge to be transferred.

a) Identify from the agreement with service providers and any internal agreements with business units the types of knowledge to be transferred.

b) Identify from interactions with the business units and other internal stakeholders, the specific types of knowledge required to be transferred.

3. Determine, from the identified knowledge types, the specific knowledge to be transferred.

→ This may include knowledge useful to the organization in maintaining the transferred service at the desired service level, but not specifically outlined in the agreement.

4. Determine whether the identified knowledge is the organization's intellectual property, and take action as appropriate.

→ It is important to recognize that much of the knowledge capital to be transferred may be considered intellectual property and may have competitive value for the organization. Intellectual property ownership, as defined in agreements with the service provider, will help identify which knowledge is obligated to be provided to the client at Completion. The organization should verify that any knowledge critical to service delivery is being transferred.

→ It is inappropriate for the service provider to "hold hostage" any knowledge, on competitive or other grounds, that is needed for service delivery. Arrangements may be made for buying or renting the intellectual property.

5. Create a knowledge transfer plan.

- a) Identify knowledge transfer tasks.
- b) Create estimates of the resources required, including the effort and time frame for each task.
- c) Determine approval criteria for knowledge transfer.
 - Typically, the approval criteria are specified in the agreement. If not specified in the agreement or completion plan, these should be identified and coordinated with the service provider.

6. Coordinate a knowledge transfer plan with the service provider.

- a) Identify knowledge transfer tasks, especially tasks covered in the agreement.
- b) Create estimates of the resources required, including the effort and time frame for each task.

7. Perform required knowledge transfer, according to the documented procedures.

8. Maintain records for knowledge transferred.

9. Track status and progress against the plan.

- a) Determine actions to take when progress deviates from the plan.
- b) Take actions and track them to closure.

10. Provide client approval for the knowledge transferred from the service provider.

- Approval indicates that the knowledge transferred to the client is the knowledge expected to be received.
Typically the approval criteria are specified in the agreement.

c. Support the implementation of knowledge transfer during Completion.

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Glossary & References



Glossary

Activity	One of the steps taken to implement a Practice. Activities are labeled with a number or letter within the text of the Practice details (a, b, b1, b2, c, etc.). See also <i>Major Activity</i> , <i>Sub-activity</i> , <i>Required Activity</i> , and <i>Recommended Activity</i> . [Adapted from Hyder 2004a]
alignment	The degree of agreement, conformance, and consistency among organizational purpose, vision, and values; structures, systems, and processes; and individual skills and behaviors. [GAO 1998]
Analysis	The phase of the Sourcing Life-cycle that focuses on analyzing the client organization's business functions and business processes, and identifying potential sourcing opportunities. During Analysis, the client organization analyzes its operations and functions to identify those that could be sourced, and develops the approach to be taken to sourcing the identified opportunities.
artifact	A document that is generated as a result of performing the activities of the organization. Artifacts include records, reports, and work products. Most artifacts are linked to a guidance document that describes how that artifact is to be created and used. [Hyder 2004a]
"As Is" Process Model	A model that portrays how a business process is currently structured. In process improvement efforts, it is used to establish a baseline for measuring subsequent business improvement actions and progress. [GAO 1998]
BC/DR	Business continuity and disaster recovery.
benchmark	(1) To measure or compare an entity to a reference standard. (2) A reference standard used for comparison. [Hyder 2004a]
best practice	An accepted and customary way of doing something that is expected to significantly improve the ability to meet objectives, typically expressed in terms of improved productivity, costs, schedule, quality, user satisfaction, or predictability. [Hyder 2004a]
BPO	See <i>business process outsourcing</i> .
business case	A structured proposal for business improvement that functions as a decision package for organizational decision makers. A business case includes an analysis of business process performance and the associated needs or problems, proposed alternative solutions, assumptions, constraints, and a risk-adjusted cost-benefit analysis [GAO 1998].
business function	A business unit within an organization, e.g., a department, division, or branch. [ITIL 2003]
business objectives	A collection of resources (e.g., equipment, networking, and individuals) in a single area of operations, such as finance, accounting, personnel, production, engineering, operations, development, and support. [SPC 2001]
	An informal set of business goals that are used to set long-term direction. Business objectives are similar to organizational objectives, but they are typically not formally stated and may not be quantified. For example, an organizational objective may be to increase market share by 2%, and a business objective may be to increase market share. [Hyder 2004a]

business process	A group of business activities undertaken by an organization in pursuit of a common goal. Typical business processes include receiving orders, marketing services, selling products, delivering services, distributing products, invoicing for services, accounting for money received. A business process usually depends upon several business functions for support, e.g., IT, personnel, and accommodation. A business process rarely operates in isolation, i.e., other business processes will depend on it and it will depend on other processes. [ITIL 2003]
business process outsourcing (BPO)	The delegation of one or more IT-intensive business processes to an external provider that, in turn, owns, administers, and manages the selected processes, based upon defined and measurable performance metrics [Gartner 2000].
business unit	A segment of the business entity by which both revenues are received and expenditure is caused or controlled, such revenues and expenditure being used to evaluate segmental performance. [ITIL 2003]
Capability Area (CA)	One of seventeen logical groupings of eSCM-CL Practices that represent critical sourcing functions.
capability baseline	A statistical description of the capability of a process at a point in time. It is derived from the analysis of measures of performance used by the organization in order to provide a measurement benchmark. [Hyder 2004a]
Capability Determination	A set of five methods (Full Evaluation for Certification, Full Evaluation, Full Self-Appraisal, Mini Evaluation, Mini Self-Appraisal) used to determine the compliance of an organization with the eSCM-CL.
Capability Level	One of the five Capability Levels of the eSCM-CL that describes an improvement path for a service provider: Capability Level 1–Performing sourcing; Capability Level 2– Consistently managing sourcing; Capability Level 3– Managing organizational sourcing performance; Capability Level 4–Proactively enhancing value; Capability Level 5–Sustaining excellence.
change	The addition, modification or removal of approved, supported, or baselined hardware, network, software, application, environment, system, desktop build or associated documentation. [ITIL 2003]
change management (infrastructure or service)	Process of controlling changes to the infrastructure or any aspect of services, in a controlled manner, enabling approved changes with minimum disruption. [ITIL 2003]
change management (organization)	Activities involved in (1) defining and instilling new values, attitudes, norms, and behaviors within an organization that support new ways of doing work and overcome resistance to change; (2) building consensus among customers and stakeholders on specific changes designed to better meet their needs; and (3) planning, testing, and implementing all aspects of the transition from one organizational structure or business process to another. [GAO 1998]
	In eSCM-CL, this form of change management is referred to as organizational change management to distinguish it from change management of infrastructure or services. See <i>Change Management (infrastructure or service)</i> .
client	A person or organization who obtains sourcing services from a service provider. [Hyder 2004a]
client organization	An organization which obtains sourcing services from a service provider.

competency	The combination of experience, knowledge, and skills required to perform a task or role. Personnel competency is the competency of an individual employee. Workforce competency is the set of personnel competencies that exist in the organization. [Hyder 2004a]
Completion	The phase of the Sourcing Life-cycle that focuses on ending the engagement. Completion occurs after the fulfillment of the obligations defined in agreements with the client organization, at the end of the period of the agreement, or upon termination (for cause or convenience) before the planned completion date of the agreement. [Adapted from Hyder 2004a]
confidentiality	(1) Assurance that information is not disclosed to unauthorized persons, processes, or devices. (2) The protection of sensitive information from unauthorized disclosure and sensitive facilities from physical, technical or electronic penetration or exploitation. [Hyder 2004a]
continuous process improvement	An ongoing effort to incrementally improve how products and services are provided and internal operations are conducted [GAO 1998].
core (or key) process	Business processes that are vital to the organization's success and survival [GAO 1998].
cultural attributes	Characteristics of the clients, end-users, suppliers, and partners that can impact the quality and acceptance of the service being delivered. Cultural attributes can be either national or corporate, such as ethnicity, language, and behavioral norms. [Hyder 2004a]
cultural fit	The extent of the cultural compatibility between the client and the service provider. Similarities and differences influence how effectively the provider can deliver service according to agreed-upon service levels. [Hyder 2004a]
customer	Recipient of the service; usually the customer management has responsibility for the cost of the service, either directly through charging or indirectly in terms of demonstrable business need. [ITIL 2003]
Delivery	The phase of the Sourcing Life-cycle that focuses on managing the delivery of sourced services to the client organization. The Practices in this phase cover ongoing management of service delivery, verification that commitments are being met, and management of finances associated with service provision.
dimensions	The eSCM-CL has three dimensions: Sourcing Life-cycle, Capability Areas, and Capability Levels. All eSCM-CL Practices have a value along each of these dimensions.
document	Any lasting information used by the organization. It can be in either physical (i.e., hard copy) or electronic (i.e., soft copy) form. There are two types of documents: guidance documents and artifacts. [Hyder 2004a]
eSourcing	A type of sourcing that uses information technology in the processing and delivery of the service. These services are delivered through a telecommunications or data network or other electronic media. [Hyder 2004a]
end-user	The ultimate consumer of services provided by the service provider or client. For example, in the case of a software company sourcing its customer service call center, end-users are the customers who call into the call center run by the service provider. End-users may be part of the client organization, or may be customers of the client. [Hyder 2004a]
engagement	A relationship between the service provider and a current or prospective client that spans the entire Sourcing Life-cycle. [Hyder 2004a] See also <i>sourcing action</i> .

Establish and implement	To define, document, train personnel, provide resources, and put to use a procedure, policy, or guideline, with an aim of achieving intended outcomes. [Hyder 2004a]
Framework	A general term including models, standards, and award criteria. [Hyder 2004a]
FSO	Future State of Operation
function	A set of related activities that is part of a process, often known as a subprocess within a process. Organizations often divide themselves into functional units, such as purchasing, product development, order fulfillment, etc [GAO 1998].
future process model	See “ <i>To Be</i> ” process model.
governance	A structure of relationships and processes to direct and control the enterprise in order to achieve the enterprise’s goals by adding value while balancing risk versus return. [COBIT 2000]. Governance typically describes the ways in which rights and responsibilities are shared between the various participants, especially the management and the stakeholders.
Governance Management Capability Area (gov)	The group of eSCM-CL Practices that focuses on establishing organizational structure for sourcing and organizational process management for sourcing processes and procedures.
GRC	governance, risk and compliance
guidance document	A lasting record that provides guidance on how work should be performed. These include policies, procedures, guidelines, job aids, templates, and checklists. They can be electronic (e.g., soft copy, software) or paper (e.g., printed, bound). [Hyder 2004a]
guideline	A rule or principle that provides guidance to appropriate behavior. [Hyder 2004a]
ICT	Information and communication technologies; the convergence of Information Technology, Telecommunications, and Data Networking Technologies into a single technology. [Adapted from ITIL 2003]
incident	Any event which is not part of the standard operation of a service and which causes, or may cause, an interruption to, or a reduction in, the quality of that service. [ITIL 2003]
informed customer	An individual, team or group with functional responsibility within an organization for ensuring that spend on IS/IT is directed to best effect, i.e., that the business is receiving value for money and continues to achieve the most beneficial outcome. In order to fulfill its role the ‘Informed’ customer function must gain clarity of vision in relation to the business plans and ensure that suitable strategies are devised and maintained for achieving business goals. The ‘informed’ customer function ensures that the needs of the business are effectively translated into a business requirements specification, that IT investment is both efficiently and economically directed, and that progress towards effective business solutions is monitored. The ‘informed’ customer should play an active role in the procurement process, e.g., in relation to business case development, and also in ensuring that the services and solutions obtained are used effectively within the organization to achieve maximum business benefits.
	The term is often used in relation to the outsourcing of IT/IS. Sometimes also called ‘intelligent customer’. [ITIL 2003]

Initiation	The phase of the Sourcing Life-cycle that focuses on the capabilities needed to effectively prepare for service delivery. The Practices in this phase cover requirements gathering, negotiation, establishing agreements, and service design and deployment.
innovation	Innovation implies a major change in the way work is done to improve performance; it is a change major enough to require that it be planned and managed as a program. The change needs to be actively managed because of the learning curve associated with it. In some cases, major changes may be driven by customer or regulatory requirements, rather than by innovation. [Hyder 2004a]
insourcing	A sourcing relationship where a group within the client organization is selected to provide service but is largely managed as a separate entity. [Hyder 2004a]
institutionalization	The process of building infrastructure and corporate culture that support an organization's methods and procedures so that they become the standardized way of doing business. Colloquially, institutionalization captures the concept that "this is the way we do business." [Hyder 2004a]
	There are ten Support Practices in the eSCM-CL that provide support for the institutionalization of any eSCM-CL Practice.
intellectual property	Products of the intellect that have commercial value. Intellectual property may include proprietary software, hardware, designs, methodologies, service-related documents, data, training, trademarks, copyrights, drawings, layouts, processes, procedures, policies, and other proprietary technology or materials. [Hyder 2004a]
issue	Issues impact the relationship between the parties (end-user, Customer, client organization sourcing functions, service providers, and the service provider's suppliers and partners).
ITES	See <i>IT-enabled service</i> .
IT-enabled service	See <i>eSourcing</i> .
IT-enabled sourcing	See <i>eSourcing</i> .
IT Infrastructure	The sum of an organization's IT related hardware, software, data telecommunication facilities, procedures and documentation. [ITIL 2003]
ITO	Information technology outsourcing.
IT service	A described set of facilities, IT and non-IT, supported by the IT Service Provider that fulfils one or more needs of the customer and that is perceived by the customer as a coherent whole. [ITIL 2003]
Knowledge Management Capability Area (knw)	The group of eSCM-CL Practices that focuses on the effective management of information and knowledge systems so personnel have easy access to the knowledge needed to effectively perform their work.
knowledge system	A system that allows the organization to control and maintain relevant information and knowledge and allows personnel to easily locate required information. A knowledge system does not mean that the organization must have a central electronic repository of information but rather that it has a coordinated method for managing and communicating needed information. A system may be implemented through one or more databases, file systems, physical storage media, or other appropriate methods for systematically providing needed access and controlling information. [Hyder 2004a]
KPO	Knowledge process outsourcing.

lessons learned	The results of an analysis of the positive and negative experiences in engagements or other organizational activities that are used as the basis for learning and improvement in future performance. [Hyder 2004a]
Major Activity	One of the three labeled Practice Activities at the highest level of the Activity hierarchy (a, b, and c). [Hyder 2004a]
Model scope	The eSCM-CL Practices to be analyzed in a Capability Determination.
MSA	master service agreement
Ongoing	A classification of eSCM-CL Practices that are performed throughout the entire Sourcing Life-cycle. The Practices are typically performed on a periodic or as-needed basis, with the frequency being defined by client and organizational needs. [Adapted from Hyder 2004a]
organization	As used in the eSCM-CL Practices, an organization is an entity that engages in sourcing activities with one or more service providers. Depending on its size or complexity, a single company may have one or more sourcing organizations. See <i>client organization</i> .
Organizational Change Management Capability Area (ocm)	The group of eSCM-CL Practices that focuses on the change management process to guide the client's adoption of new systems (organizational and technological) and new ways of achieving business objectives through sourcing.
organizational objectives	A formal set of objective or quantified business goals that are used to set long-term direction. Examples of organizational objectives include increasing client satisfaction by 5% based on feedback forms, maintaining client satisfaction, growing market share by 8%, and improving performance by 12%. [Hyder 2004a]
organizational structure	The functions, business units, dependencies among entities and units, and reporting relationships, within the organization.
organizational span	The coverage of the client's organizational structure to be analyzed in a Capability Determination. [Adapted from Hyder 2004a]
outsourcing	The procurement of services, which have historically been provided in-house, from an outside supplier. See also <i>eSourcing, sourcing</i> . [Hyder 2004a]
People Management Capability Area (ppl)	The group of eSCM-CL Practices that focuses on providing and managing skilled resources and the necessary environment for the organization's sourcing activities.
personnel	The individuals and teams in an organization. [Hyder 2004a]
personnel competency	The combination of knowledge, skills, and process abilities an individual possesses, which may be related to performing tasks or roles for the organization. See also <i>competency, workforce competency</i> . [Adapted from Hyder 2004a]
plan	A formal, approved document used to guide both execution and control. The primary uses of the plan are to document planning assumptions and decisions, to facilitate communication among stakeholders, and to document approved scope, cost, and schedule baselines [PMBOK 2000].
PMO	Present Mode of Operation
policy	A guiding principle, typically established by senior management, which is adopted by an organization to influence and determine decisions [Paultk 1995].

Practice	A set of actions that should be performed by a client organization to have successful sourcing relationships. The eSCM-CL is composed of 95 Practices that are arranged along each of three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level. [Adapted from Hyder 2004a]
Practice Rating	A Practice Rating indicates the effectiveness of a client's implementation and institutionalization of an eSCM-CL Practice. Practice Ratings are determined as part of a Capability Determination. [Adapted from Hyder 2004a]
Practice Satisfaction Profile	A Practice Satisfaction Profile shows the Practice Ratings for each Practice within the Model scope of a Capability Determination.
privacy	For individuals, freedom from unauthorized intrusion and the ability to limit who has access to personal information. For organizations, privacy involves determining what information is gathered, how it is used, and how customers are informed and involved in this process. [Hyder 2004a]
problem	Unknown underlying cause of one or more incidents. [ITIL 2003] Problem is broadly used in the eSCM-CL as a state of difficulty that needs to be resolved. Problems can range from simple human errors to system-wide failures. [Hyder 2004a]
procedure	A documented description of a course of action to be taken to perform a given task [IEEE-STD-610 1990].
process	(1) A set of activities that produce products and services for customers [GAO 1998]. (2) A set of actions that is performed to achieve a given purpose, along with the assets that support that performance, such as tools and other resources. [Hyder 2004a]
process assets	Any guidance documentation (e.g., processes, policies, procedures, guidelines, job aids, templates, checklists), or infrastructure needed to perform the work described in the guidance documentation (e.g., repositories, training, and tools). See also <i>guidance document</i> . [Hyder 2004a]
process capability	The range of expected results that can be achieved by following a process. The process capability of an organization provides one means of predicting the most likely outcomes to be expected from the next project the organization undertakes [Paultk 1995].
process management approach	Approaches, such as continuous process improvement, business process redesign, and reengineering, which can be used together or separately to improve processes and subprocesses [GAO 1998].
process model	A formal description of a set of activities performed to achieve a given purpose. A process model typically includes at least inputs, activities, and outputs. Depending on the formalism used, it may include entry criteria, verification steps, exit criteria, and other attributes of the process or the resulting work products. Example formalisms include ETVX and IDEF0.
program	A group of related projects that are managed in a coordinated way, and are described primarily in plans and business cases. [Hyder 2004a]
Recommended Activity	Any sub-activity two levels below a Major Activity (for example, a2b). While Recommended Activities are not required, it is suggested that the organization implement them. Only Major Activity <i>b</i> contains Recommended Activities.

relationship	A relationship may have multiple activities (which could include agreements or contracts, services, or from a service provider perspective, engagements) within that relationship. Relationships may be structured in one of the categories defined in the eSCM-SP, which could include Traditional, Co-sourcing, Multi-sourcing, Alliance, Joint Venture, or Insourcing.
Relationship Management Capability Area (rel)	The group of eSCM-CL Practices that focuses on establishing and managing long-term relations with the service providers, and developing relationships with service providers.
Required Activity	Any sub-activity one level below a Major Activity (for example, a1, a2). For an Evaluation for Certification there must be positive evidence of all the Required Activities in order for the organization to be compliant with the eSCM-CL.
requirement	<p>(1) A condition or capability needed by a user to solve a problem or achieve an objective.</p> <p>(2) A condition or capability that must be met or possessed by a product or product component to satisfy a contract, standard, specification, and/or other formally imposed documents.</p> <p>(3) A documented representation of a condition or capability as in (1) or (2). [IEEE-STD-610 1990].</p>
resources	Resources include all of the following: people, skills, experience, knowledge assets, intellectual property, processes and guidelines, repository, solutions, documents, infrastructure, computers, storage, networks, data, applications, facilities, and financial. [IEEE-STD-610 1990].
RFI	Request for information
RFP	Request for proposals
RFQ	Request for quotations
risk	Exposure to loss, injury, or destruction. Risks are potential problems, which may be associated with security, privacy, confidentiality, protection of intellectual property, or disasters. [Hyder 2004a] Risks represent the possibility that an event will occur and adversely affect the achievement of objectives. [COSO 2004]
risk appetite	The broad-based amount of risk a company or other entity is willing to accept in pursuit of its mission or vision. [COSO 2004]
risk response	The actions taken by the organization in response to identified risks.
risk tolerance	The acceptable levels of variation relative to the achievement of objectives, and are often best measured in the same units as the related objectives. [COSO 2004]
security	Security provides four types of control: confidentiality, integrity, availability, and accountability. Confidentiality means that only authorized users can access information. Integrity means that the accuracy and completeness of information is maintained and not changed without authorization. Availability means that the service or information is available to authorized users when needed. Accountability means being able to trace the source of changes in controlled resources. Security management covers the security of people, technology, work environment, and information. [Hyder 2004a]

Senior management	To identify appropriate management individuals and to not limit critical sourcing activities to being performed by just executive management, the term senior management is commonly used throughout the eSCM-CL to refer to those organizational leaders who may have responsibility for sponsoring, supporting, and providing guidance and review of the client organization's sourcing activities. These individuals may also include C-level positions, or corporate positions, included in executive leadership, such as Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Information Officer (CIO); or the Board of Directors.
service catalog	Senior management in the context of the eSCM-CL ensures that objectives, resources, and processes and procedures are established for the organization's sourcing activities, and that sourcing activities are integrated and aligned with the business objectives and strategies.
service commitments	A written statement of services, default service levels, and options. [Adapted from ITIL]
service levels	Service commitments represent the service providers' commitment to meet service level agreements, performed within identified service conditions. These are based on the agreement but may also include any promises or commitments that are not contractual but have been agreed upon by the client and service provider.
service provider	The performance values expected by a client for service delivery during an engagement. For example, service levels are often determined for bandwidth availability, response times for routine and ad hoc queries, response times for problem resolutions such as network downtime and machine failure, and client satisfaction levels. [Hyder 2004a]
Service Provider Evaluation Capability Area (spe)	An entity that provides IT-enabled sourcing services to a client. The role of service provider is performed by any organizational units, whether internal or external, that deliver and support IT services to a customer. The service provider is managed as a separate entity from the client organization. [Hyder 2004a, ITIL 2003]
Service Transfer Capability Area (tfr)	The group of eSCM-CL Practices that focuses on soliciting potential service providers, screening the set of potential service providers, and selecting the preferred service providers.
SLA	The group of eSCM-CL Practices that focuses on successfully transferring resources between the client organization and its service providers by creating and implementing a transfer plan; creating client/service provider teams; identifying key skill sets/personnel to retain in-house or transfer to the service providers; ensuring service design meets the client's needs; and transferring resources, personnel, and knowledge to service providers.
sourced service	Service level agreement.
Sourced Services Management Capability Area (mgt)	As used in the eSCM-CL Practices, a sourced service is a service which the client organization has engaged with a service provider to provide for, or on behalf of, the client organization.
	The group of eSCM-CL Practices that focuses on having the capability to manage service providers, and the issues and challenges that arise after the agreement has been reached.

sourcing	The procurement of services, which have historically been provided in-house, from another provider. The provider can be external to the organization (i.e., outsourcing), internal (i.e., insourcing), or a combination of the two. See also <i>outsourcing</i> , <i>insourcing</i> . [Hyder 2004a]
	Sourcing, as used in the eSCM-CL, refers to any and all of these types of relationships: Traditional, Co-sourcing, Multi-sourcing, Alliance, Joint Venture, or In-sourcing. See also <i>Relationship</i> .
sourcing action	As used in the eSCM-CL Practices, a sourcing action is the initiative to obtain sourced services from a service provider. A client organization engages in a sourcing action when it prepares to source or sources a specific service or services to service providers.
sourcing activity	As used in the eSCM-CL Practices, a client organization engages in sourcing activities in performing its sourcing actions. Some sourcing activities occur within engagements managing a sourcing action within a relationship with service providers. eSCM-CL Practices are subset of the sourcing activities that a client organization may implement.
Sourcing Agreements Capability Area (agr)	The group of eSCM-CL Practices that focuses on carrying out service confirmation, negotiating terms and conditions of the agreements (including SLAs, etc), and entering into an agreement with the selected service providers.
Sourcing Approach Capability Area (app)	The group of eSCM-CL Practices that focuses on deciding on the type of sourcing for a specific sourcing opportunity.
Sourcing Completion Capability Area (cmp)	The group of eSCM-CL Practices that focuses on planning and making provisions for the closure of the relationship/project and ensuring that the hand off is smooth.
Sourcing Life-cycle	The eSCM-CL dimension that indicates when a Practice is performed. This dimension is divided into Ongoing, Analysis, Initiation, Delivery, and Completion. Ongoing Practices span the entire Sourcing Life-cycle, while Analysis, Initiation, Delivery, and Completion occur in specific phases of the life-cycle.
Sourcing Opportunity Analysis Capability Area (opa)	The group of eSCM-CL Practices that focuses on the functional analysis of the current operations of the organization and identification of potential functions, processes or services that could be sourced.
Sourcing Planning Capability Area (pln)	The group of eSCM-CL Practices that focuses on planning for implementation of the sourcing approach for a planned sourcing initiative.
Sourcing Strategy Management Capability Area (str)	The group of eSCM-CL Practices that focuses on determining the sourcing strategy and setting organizational objectives or goals for sourcing.
stakeholder	An individual or group with an interest in the success of an organization in delivering intended results and maintaining the viability of the organization's products and services. Stakeholders influence programs, products, and services [GAO 1998].
stakeholders	The group of individuals who are affected by, or are in some way accountable for, the outcome of an undertaking. Stakeholders can include clients, prospective clients, end-users, shareholders, suppliers and partners, and employees of all organizations involved in an engagement. [Hyder 2004a]
Sub-activity	Any Practice Activity at a level below a Major Activity (for example, a1, b2c, c1). See also <i>Major Activity</i> , <i>Required Activity</i> , and <i>Recommended Activity</i> . [Hyder 2004a]

Supplemental Information	A section within an eSCM-CL Practice that provides explanatory information that is intended to help convey the intent of the Activities and provide examples of how those Activities could be implemented. [Adapted from Hyder 2004a]
Support Practices	The ten Practices in the eSCM-CL that provide support for Practice institutionalization. These Practices are directly linked to the eight Required Activities that are implemented as part of Major Activities a and c.
TCO	total cost of ownership
TCV	total contract value
team	one or more individuals who work closely together on tasks that are highly interdependent to achieve shared objectives. [Adapted from Curtis 2001]
technical architecture	A technical architecture identifies and describes the types of applications, platforms, and external entities; their interfaces; and their services, as well as the context within which the entities interoperate. A technical architecture is based on a taxonomy of services specific to those needed to support the technology computing style (e.g., distributed object computing) and the industry/business application needs (e.g., mining, oil, financial, and military C4I) and the selected standards that further constrain the architecture. The technical architecture is the basis for selecting and implementing the infrastructure to establish the target or operational architecture. [Adapted from SPC 2001]
technology infrastructure	The technological facilities, services, and installations needed for the functioning of an organization, including email servers, internet access, telecommunications, computers, and local networks. [Hyder 2004a] See also <i>IT infrastructure</i> .
Technology Management Capability Area (tch)	The group of eSCM-CL Practices that focuses on monitoring and managing the technology infrastructure.
Threat Management Capability Area (thr)	The group of eSCM-CL Practices that focuses on identifying and actively managing threats to the client organization's ability to meet its business and sourcing objectives and requirements. This includes an active focus on risk management, with a particular focus on risks associated with security, confidentiality, and privacy; business continuity, disaster recovery and development of contingency plans; and protection of intellectual property.
"To Be" Process Model	A process model that results from a business process redesign/reengineering action. The "to be" model shows how the business process will function after the improvement action is implemented [GAO 1998].
transfer	To change responsibility for providing the personnel, and/or other assets, including intellectual property, technology, and other infrastructures from the client, or its designee, to the service provider, or vice versa. [Hyder 2004a]
TUPE	The Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) (often referred to TUPE 2006) is the main piece of UK legislation governing the transfer of an undertaking, or part of one, to another [HMSO 2006]. The regulations were designed to protect the rights of employees in a transfer situation enabling them to enjoy the same terms and conditions, with continuity of employment, as they formerly held.

value	Value is the relative worth or importance of an investment for an organization, as perceived by its key stakeholders, expressed in financial and non-financial terms. [ITGI 2006]. Value, or business value, is a measure of the benefit to the stakeholders (including client organization, service providers, and end-users, but which may also include others in the value chain, such as stockholders).
value creation	An opportunity to increase the business benefit to the client or other stakeholders. [Hyder 2004a]
value delivery	Value delivery is about executing the value proposition throughout the delivery cycle, ensuring that the promised benefits are delivered against the strategy, concentrating on optimizing costs and proving the intrinsic value of the delivered service. [Adapted from ITGI 2003] Value delivery is one of the five domains of governance alongside strategic alignment, performance management, resource management, and risk management [ITGI 2005a]
Value Management Capability Area (val)	The group of eSCM-CL Practices that focuses on fostering and managing the culture of continuous improvement so that the client derives value from the sourcing engagement, and ensuring ongoing alignment of the sourcing strategy and the organization's sourcing performance with the organization's objectives.
verification	The process of ensuring that tasks are performed in compliance with the established process, or ensuring that service commitments are being satisfied. Verification typically encompasses review and audits by management or designated personnel. [Hyder 2004a]
work environment	The physical and cultural surrounding within which an organization works. [Curtis 2001]
work product	Any asset produced by performing work, or in order to help perform work. It is either produced as a final work product delivered to the customer (e.g., a software application for an application service provider) or an interim work product that is purely internal (e.g., a software design). Work product most often refers to written documentation, but could also be used to refer to tools and software. [Hyder 2004a]
workforce competency	The set of personnel competencies that the organization has or needs in order to meet organizational objectives. [Hyder 2004a]

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Appendices



Appendix A: One Page Practice Summary

Sourcing Strategy Mgmt			
			Sourcing Sponsorship
str01	o	2	❶ Sourcing Sponsorship
str02	o	2	Sourcing Constraints
str03	o	2	Potential Sourcing Areas
str04	o	2	Sourcing Objectives
str05	o	3	Organizational Sourcing Strategy
gov01	o	3	Policy Sourcing Policy
gov02	o	2	Procedure Service Provider Management
gov03	o	2	Procedure Internal Stakeholder Management
gov04	o	3	❶ Defined Sourcing Processes
gov05	o	3	Align Strategy & Architectures
gov06	o	3	Procedure Business Process Integration
gov07	o	3	Guideline Adapt to Business Change
rel01	o	2	Procedure Service Provider Interactions
rel02	o	3	Procedure Service Provider Relationships
rel03	o	3	Procedure Internal Relationships
rel04	o	2	Procedure Issue Management
rel05	o	3	Cultural Fit
rel06	o	4	Guideline Collaborative Relationships
rel07	o	4	Innovative Relationships
val01	o	3	Procedure Organizational Sourcing Performance
val02	o	4	Capability Baselines
val03	o	4	Benchmark Sourcing Processes
val04	o	3	❶ Improve Sourcing Processes
val05	o	4	Program Innovation
val06	o	4	Business Value & Impact
val07	o	4	Sourcing Alignment
ocm01	o	3	Prepare For Organizational Change
ocm02	o	2	❶ Stakeholder Involvement
ocm03	o	3	❶ Define Future State
ocm04	o	3	Plan Human Resource Changes
ocm05	o	3	Plan Communicate Organizational Changes
ocm06	o	2	Organizational Change
ppl01	o	2	❶ Assign Sourcing Responsibilities
ppl02	o	2	❶ Personnel Competencies
ppl03	o	3	Organizational Sourcing Competency
ppl04	o	3	❶ Define Roles
knw01	o	2	❶ Provide Required Information
knw02	o	3	❶ Knowledge System
knw03	o	3	Market Information
knw04	o	3	Lessons Learned
knw05	o	4	Procedure Share Knowledge
tch01	o	2	Procedure Asset Management
tch02	o	2	Procedure License Management
tch03	o	2	Procedure Technology Integration
thr01	o	2	Procedure Sourcing Risk Management
thr02	o	3	Procedure Organizational Risk Management
thr03	o	2	Procedure Intellectual Property
thr04	o	2	Procedure Security & Privacy
thr05	o	2	Procedure Compliance
thr06	o	2	Procedure Business Continuity

Sourcing Opp. Analysis			
			Define Current State
opa01	a	3	Sourcing Criteria
opa02	a	3	Demand Identification
opa03	a	2	Sourcing Options
app01	a	2	Sourcing Approach
app02	a	2	Procedure Business Case
app03	a	2	Governance Model
app04	a	3	Impact & Risk Analysis
app05	a	2	Sourcing Initiation Decision
pln01	i	2	Plan Establish Sourcing Project
pln02	i	2	Service Definition
pln03	i	2	Procedure Service Provider Selection Procedures
pln04	i	2	Procedure Evaluation Criteria
pln05	i	2	Procedure Prepare Service Requirements
spe01	i	2	Procedure Communicate Requirements
spe02	i	2	Procedure Evaluate Potential Service Providers
spe03	i	2	Procedure Select Candidate Service Providers
agr01	i	3	Guideline Negotiations Guidelines
agr02	i	2	Guideline Confirm Existing Conditions
agr03	i	2	Plan Negotiations
agr04	i	2	Agreement Roles
agr05	i	2	Define SLAs & Measures
agr06	i	2	Procedure Create Agreements
agr07	i	2	Procedure Amend Agreements
tfr01	i	2	Plan Service Transition
tfr02	i	3	Procedure Verify Design
tfr03	i	2	Procedure Resources Transferred Out
tfr04	i	2	Procedure Personnel Transferred Out
tfr05	i	2	Knowledge Transferred Out
mgt01	d	2	Plan Perform Sourcing Management
mgt02	d	2	Procedure Performance Monitoring
mgt03	d	2	Procedure Financial Management
mgt04	d	2	Procedure Agreement Management
mgt05	d	2	Problem & Incident Monitoring
mgt06	d	2	Service Delivery Change Management
mgt07	d	2	Procedure Service Change Management
mgt08	d	2	Procedure Review Service Performance
mgt09	d	3	Guideline Stakeholder Feedback
mgt10	d	3	Procedure Service Value Analysis
mgt11	d	2	Procedure Continuation Decision
cmp01	c	2	Plan Completion Planning
cmp02	c	3	Procedure Service Continuity
cmp03	c	2	Procedure Resources Transfer From Service Provider
cmp04	c	2	Procedure Personnel Transfer From Service Provider
cmp05	c	2	Procedure Knowledge Transfer From Service Provider

KEY			
o = ongoing	i = initiation	c = completion	
a = analysis	d = delivery		

Appendix B: Practices by Capability Area

The following table lists the eSCM-CL Practices, grouped by Capability Area (CA). Each Practice is listed with its Practice identifier, its associated phase of the Sourcing Life-cycle, its Capability Level, its Practice type, its short description, and its Practice statement.

CA	PRAC-TICE ID	LIFE-CYCLE PHASE	CL	PRACTICE TYPE	SHORT DESCRIPTION	PRACTICE STATEMENT
SOURCING STRATEGY MANAGEMENT	str01	Ongoing	2	●	Sourcing Sponsorship	Establish management sponsorship for sourcing.
	str02	Ongoing	2		Sourcing Constraints	Identify the constraints that impact the client organization's potential uses of sourcing.
	str03	Ongoing	2		Potential Sourcing Areas	Decide to what extent sourcing may be relevant to the client organization.
	str04	Ongoing	2		Sourcing Objectives	Define, align, and document sourcing objectives.
	str05	Ongoing	3		Organizational Sourcing Strategy	Define, communicate, and maintain the sourcing strategy of the client organization.
	gov01	Ongoing	3	Policy	Sourcing Policy	Establish and implement the organizational sourcing policy.
	gov02	Ongoing	2	Procedure	Service Provider Management	Establish and implement procedures to manage service providers.
	gov03	Ongoing	2	Procedure	Internal Stakeholder Management	Establish and implement procedures to manage internal stakeholders.
	gov04	Ongoing	3	●	Defined Sourcing Processes	Establish and maintain documented sourcing processes for use across the client organization.
	gov05	Ongoing	3		Align Strategy & Architectures	Align strategies and architectures to support sourcing across the organization.
GOVERNANCE MANAGEMENT	gov06	Ongoing	3	Procedure	Business Process Integration	Establish and implement procedures to manage the integration of business processes with those performed by service providers.
	gov07	Ongoing	3	Guideline	Adapt to Business Change	Establish and implement guidelines for reviewing and adapting to changes.
	rel01	Ongoing	2	Procedure	Service Provider Interactions	Establish and implement procedures to manage interactions with service providers.
	rel02	Ongoing	3	Procedure	Service Provider Relationships	Establish and implement procedures to manage service provider relationships.
	rel03	Ongoing	3	Procedure	Internal Relationships	Establish and implement procedures to manage internal client relationships.
	rel04	Ongoing	2	Procedure	Issue Management	Establish and implement procedures to manage issues and their resolution.
	rel05	Ongoing	3		Cultural Fit	Identify cultural attributes that impact the sourcing relationship and the sourced services, and implement actions to achieve cultural fit.
RELATIONSHIP MANAGEMENT	rel06	Ongoing	4	Guideline	Collaborative Relationships	Establish and implement guidelines for developing collaborative relationships with service providers.
	rel07	Ongoing	4		Innovative Relationships	Develop relationships that focus on value creation through innovation.

CA	PRACTICE ID	LIFE-CYCLE PHASE	CL	PRACTICE TYPE	SHORT DESCRIPTION	PRACTICE STATEMENT
VALUE MANAGEMENT	val01	Ongoing	3	Procedure	Organizational Sourcing Performance	Establish and implement procedures to review organizational sourcing performance.
	val02	Ongoing	4		Capability Baselines	Define capability baselines for the client organization by analyzing sourcing performance data.
	val03	Ongoing	4		Benchmark Sourcing Processes	Benchmark the client organization's sourcing-related processes by comparing performance with other client organizations involved in similar relationships.
	val04	Ongoing	3	⌚	Improve Sourcing Processes	Improve sourcing-related processes based on reviews of organizational sourcing performance.
	val05	Ongoing	4	Program	Innovation	Establish and implement programs to encourage and deploy innovations in sourcing relationships and sourced services across the organization.
	val06	Ongoing	4		Business Value & Impact	Analyze the business value and impact of organizational sourcing performance.
	val07	Ongoing	4		Sourcing Alignment	Align the client organization's sourcing activities and results with its business objectives and strategy.
ORGANIZATIONAL CHANGE MANAGEMENT	ocm01	Ongoing	3		Prepare For Organizational Change	Prepare for changes across the organization needed to support the client organization's sourcing actions.
	ocm02	Ongoing	2	⌚	Stakeholder Involvement	Identify and involve relevant stakeholders in sourcing activities.
	ocm03	Ongoing	3	⌚	Define Future State	Define the future organizational structure and process model.
	ocm04	Ongoing	3	Plan	Human Resource Changes	Establish and implement human resource strategies and plans to support the client organization's sourcing actions.
	ocm05	Ongoing	3	Plan	Communicate Organizational Changes	Establish and implement communications strategies and plans to support the client organization's sourcing actions.
	ocm06	Ongoing	2		Organizational Change	Manage organizational change to support sourcing actions.
PEOPLE MANAGEMENT	ppl01	Ongoing	2	⌚	Assign Sourcing Responsibilities	Assign roles and responsibilities to sourcing personnel based on appropriate personnel competencies.
	ppl02	Ongoing	2	⌚	Personnel Competencies	Develop personnel competencies needed by individuals with sourcing responsibilities to perform their assignments.
	ppl03	Ongoing	3		Organizational Sourcing Competency	Define and manage a workforce competency focused on sourcing across the organization.
	ppl04	Ongoing	3	⌚	Define Roles	Define and communicate the roles and responsibilities of sourcing personnel across the organization.
KNOWLEDGE MANAGEMENT	knw01	Ongoing	2	⌚	Provide Required Information	Identify, control, and provide the information that personnel need to perform their sourcing responsibilities.
	knw02	Ongoing	3	⌚	Knowledge System	Utilize a knowledge system to identify, control, and disseminate sourcing information.
	knw03	Ongoing	3		Market Information	Analyze and use information about the service provider market.
	knw04	Ongoing	3		Lessons Learned	Analyze and use knowledge gained from sourcing activities.
	knw05	Ongoing	4	Procedure	Share Knowledge	Establish and implement procedures to share knowledge among stakeholders.
TECHNOLOGY MANAGEMENT	tch01	Ongoing	2	Procedure	Asset Management	Ensure that technology assets are managed according to documented procedures.
	tch02	Ongoing	2	Procedure	License Management	Ensure that technology licenses are managed according to documented procedures.
	tch03	Ongoing	2	Procedure	Technology Integration	Establish and implement procedures to manage the client organization's integration of its technology infrastructure with service providers.

CA	PRACTICE ID	LIFE-CYCLE PHASE	CL	PRACTICE TYPE	SHORT DESCRIPTION	PRACTICE STATEMENT
THREAT MANAGEMENT	thr01	Ongoing	2	Procedure	Sourcing Risk Management	Establish and implement procedures to identify, assess, and manage sourcing risks.
	thr02	Ongoing	3	Procedure	Organizational Risk Management	Establish and implement procedures to manage risks across multiple sourced services and service providers.
	thr03	Ongoing	2	Procedure	Intellectual Property	Establish and implement procedures to protect the intellectual property of stakeholders.
	thr04	Ongoing	2	Procedure	Security & Privacy	Establish and implement procedures to meet security and privacy requirements.
	thr05	Ongoing	2	Procedure	Compliance	Establish and implement procedures to comply with applicable standards and statutory and regulatory requirements.
	thr06	Ongoing	2	Procedure	Business Continuity	Establish and implement procedures to ensure business continuity of sourced services.
	opa01	Analysis	3		Define Current State	Document the current organizational structure and process model.
	opa02	Analysis	3		Sourcing Criteria	Define the relevant criteria for identifying sourcing opportunities.
	opa03	Analysis	2		Demand Identification	Identify potential sourcing opportunities.
	opa04	Analysis	2		Sourcing Options	Analyze sourcing options for potential sourcing opportunities.
SOURCING OPPORTUNITY ANALYSIS	app01	Analysis	2		Sourcing Approach	Identify and document the sourcing approach for the proposed sourcing action.
	app02	Analysis	2	Procedure	Business Case	Establish and implement procedures to develop and validate the business case for sourcing actions.
	app03	Analysis	2		Governance Model	Identify and document the governance model for the proposed sourcing action.
	app04	Analysis	3		Impact & Risk Analysis	Perform impact and risk analyses of the proposed sourcing action.
	app05	Analysis	2		Sourcing Initiation Decision	Decide to initiate the proposed sourcing action.
	pln01	Initiation	2	Plan	Establish Sourcing Project	Establish and implement plans for managing the sourcing project for each sourcing action.
	pln02	Initiation	2		Service Definition	Define and document the services and service conditions.
	pln03	Initiation	2	Procedure	Service Provider Selection Procedures	Establish and implement procedures to select service providers.
	pln04	Initiation	2	Procedure	Evaluation Criteria	Define the evaluation criteria to be used in selecting service providers according to documented procedures.
	pln05	Initiation	2	Procedure	Prepare Service Requirements	Prepare requirements to communicate to prospective service providers according to documented procedures.
SOURCING APPROACH	spe01	Initiation	2	Procedure	Communicate Requirements	Communicate requirements to prospective service providers according to documented selection procedures.
	spe02	Initiation	2	Procedure	Evaluate Potential Service Providers	Evaluate potential service providers using documented criteria and selection procedures.
	spe03	Initiation	2	Procedure	Select Candidate Service Providers	Select candidate service providers according to documented selection procedures.
SERVICE PROVIDER EVALUATION						

CA	PRACTICE ID	LIFE-CYCLE PHASE	CL	PRACTICE TYPE	SHORT DESCRIPTION	PRACTICE STATEMENT
SOURCING AGREEMENTS	agr01	Initiation	3	Guideline	Negotiations Guidelines	Establish and implement guidelines for negotiations with service providers.
	agr02	Initiation	2	Guideline	Confirm Existing Conditions	Establish and implement guidelines to confirm existing conditions.
	agr03	Initiation	2	Plan	Negotiations	Plan and track negotiations with service providers.
	agr04	Initiation	2		Agreement Roles	Define the roles and responsibilities of the client organization and the service provider under the proposed agreement.
	agr05	Initiation	2		Define SLAs & Measures	Define the formal service level agreements and performance measures for the services and service conditions.
	agr06	Initiation	2	Procedure	Create Agreements	Establish and implement procedures to create agreements.
	agr07	Initiation	2	Procedure	Amend Agreements	Establish and implement procedures to amend agreements.
	tfr01	Initiation	2	Plan	Service Transition	Plan and track the transition of the sourced service.
	tfr02	Initiation	3	Procedure	Verify Design	Establish and implement procedures to review and verify the sourced service design.
	tfr03	Initiation	2	Procedure	Resources Transferred Out	Establish and implement procedures to verify and account for resources transferred to service providers.
	tfr04	Initiation	2	Procedure	Personnel Transferred Out	Establish and implement procedures to manage the transfer of personnel to service providers.
	tfr05	Initiation	2		Knowledge Transferred Out	Ensure that transfer of knowledge to service providers is planned, supported, and verified.
	mgt01	Delivery	2	Plan	Perform Sourcing Management	Plan and track sourcing management for the sourced services.
	mgt02	Delivery	2	Procedure	Performance Monitoring	Establish and implement procedures to monitor and verify that service commitments are being met.
	mgt03	Delivery	2	Procedure	Financial Management	Establish and implement procedures for financial management of the sourced services.
SOURCED SERVICE MANAGEMENT	mgt04	Delivery	2	Procedure	Agreement Management	Establish and implement procedures for management of agreements governing the sourced services.
	mgt05	Delivery	2		Problem & Incident Monitoring	Participate in problem and incident monitoring and resolution.
	mgt06	Delivery	2		Service Delivery Change Management	Participate in change management activities.
	mgt07	Delivery	2	Procedure	Service Change Management	Establish and implement procedures to manage modifications to services.
	mgt08	Delivery	2	Procedure	Review Service Performance	Establish and implement procedures for reconciling service performance against expectations.
	mgt09	Delivery	3	Guideline	Stakeholder Feedback	Establish and implement guidelines to collect and analyze stakeholder inputs and feedback.
	mgt10	Delivery	3	Procedure	Service Value Analysis	Establish and implement procedures for performing value analysis of the sourced service.
	mgt11	Delivery	2	Procedure	Continuation Decision	Establish and implement procedures for making decisions about continuing the sourced service.
	cmp01	Completion	2	Plan	Completion Planning	Plan and track completion of the sourced service.
	cmp02	Completion	3	Procedure	Service Continuity	Establish and implement procedures to ensure continuity of service during Completion.
SOURCING COMPLETION	cmp03	Completion	2	Procedure	Resources Transfer From Service Provider	Ensure that resource transfer during Completion is managed according to documented procedures.
	cmp04	Completion	2	Procedure	Personnel Transfer From Service Provider	Ensure that the transfer of personnel during Completion is managed according to documented procedures.
	cmp05	Completion	2	Procedure	Knowledge Transfer From Service Provider	Ensure that knowledge transfer during Completion is managed according to documented procedures.

Appendix C: Related eSCM-SP Practices

The following table lists the eSCM-CL Practices, grouped by Capability Area, and related Practices from the eSCM-SP [Hyder 2004b]. Each Practice is listed with its Capability Area, Practice identifier, its associated phase of the Sourcing Life-cycle, its Capability Level, its Practice type, its short description, and any related eSCM-SP Practices, showing their Practice identifier and short description.

CA	PRAC-TICE ID	CL	PRACTICE TYPE	SHORT DESCRIPTION	RELATED ESCM-SP PRACTICE ID	RELATED SHORT DESCRIPTION
SOURCING STRATEGY MANAGEMENT	str01	Ongoing	2	Sourcing Sponsorship		
	str02	Ongoing	2	Sourcing Constraints		
	str03	Ongoing	2	Potential Sourcing Areas		
	str04	Ongoing	2	Sourcing Objectives	prf01 prf04	Engagement objectives Organizational objectives
	str05	Ongoing	3	Organizational Sourcing Strategy		
	gov01	Ongoing	3	Policy	Sourcing Policy	
	gov02	Ongoing	2	Procedure	Service Provider Management	rel01
	gov03	Ongoing	2	Procedure	Internal Stakeholder Management	
	gov04	Ongoing	3	Defined Sourcing Processes	knw04 prf02	Process assets Verify processes
	gov05	Ongoing	3	Align Strategy & Architectures	tch04	Technology integration
	gov06	Ongoing	3	Procedure	Business Process Integration	
	gov07	Ongoing	3	Guideline	Adapt to Business Change	del07
	rel01	Ongoing	2	Procedure	Service Provider Interactions	rel01
	rel02	Ongoing	3	Procedure	Service Provider Relationships	rel06
GOVERNANCE MANAGEMENT	rel03	Ongoing	3	Procedure	Internal Relationships	
	rel04	Ongoing	2	Procedure	Issue Management	rel01
	rel05	Ongoing	3	Cultural Fit	rel04	Cultural fit
	rel06	Ongoing	4	Guideline	Collaborative Relationships	rel08
	rel07	Ongoing	4	Innovative Relationships	rel08 prf11	Value creation Deploy innovations

CA	PRACTICE ID	CL	PRACTICE TYPE	SHORT DESCRIPTION	RELATED ESCM-SP PRACTICE ID	RELATED SHORT DESCRIPTION
VALUE MANAGEMENT	val01	Ongoing	3	Procedure Organizational Sourcing Performance	prf05	Review organizational performance
	val02	Ongoing	4	Capability Baselines	prf08	Capability baselines
	val03	Ongoing	4	Benchmark Sourcing Processes	prf09	Benchmark
	val04	Ongoing	3	Improve Sourcing Processes	prf06	Make improvements
	val05	Ongoing	4	Program Innovation	ppl01 prf11	Encourage innovation Deploy innovations
	val06	Ongoing	4	Business Value & Impact		
	val07	Ongoing	4	Sourcing Alignment		
ORGANIZATIONAL CHANGE MANAGEMENT	ocm01	Ongoing	3	Prepare For Organizational Change		
	ocm02	Ongoing	2	Stakeholder Involvement	rel05 ppl02	Stakeholder information Participation in decisions
	ocm03	Ongoing	3	Define Future State		
	ocm04	Ongoing	3	Plan Human Resource Changes		
	ocm05	Ongoing	3	Plan Communicate Organizational Changes		
	ocm06	Ongoing	2	Organizational Change		
	ppl01	Ongoing	2	Assign Sourcing Responsibilities	ppl04	Assign responsibilities
PEOPLE MANAGEMENT	ppl02	Ongoing	2	Personnel Competencies	ppl08	Personnel competencies
	ppl03	Ongoing	3	Organizational Sourcing Competency	ppl06	Workforce competencies
	ppl04	Ongoing	3	Define Roles	ppl05	Define roles
	knw01	Ongoing	2	Provide Required Information	knw02	Provide required information
	knw02	Ongoing	3	Knowledge System	knw03	Knowledge system
	knw03	Ongoing	3	Market Information	cnt04	Market information
	knw04	Ongoing	3	Lessons Learned	knw05 rel05	Engagement knowledge Stakeholder information
TECHNOLOGY MGMT	knw05	Ongoing	4	Procedure Share Knowledge	knw01	Share knowledge
	tch01	Ongoing	2	Procedure Asset Management	tch03	Control technology
	tch02	Ongoing	2	Procedure License Management	tch02	Technology licenses
	tch03	Ongoing	2	Procedure Technology Integration	tch04	Technology integration
	thr01	Ongoing	2	Procedure Sourcing Risk Management	thr02	Engagement risk
	thr02	Ongoing	3	Procedure Organizational Risk Management	thr01 thr03	Risk management Risk across engagements
	thr03	Ongoing	2	Procedure Intellectual Property	thr05	Intellectual property
THREAT MANAGEMENT	thr04	Ongoing	2	Procedure Security & Privacy	thr04	Security
	thr05	Ongoing	2	Procedure Compliance	thr06	Statutory & regulatory compliance
	thr06	Ongoing	2	Procedure Business Continuity	thr07 tfr03	Disaster recovery Service continuity

CA	PRAC-TICE ID	CL	PRACTICE TYPE	SHORT DESCRIPTION	RELATED ESCM-SP PRACTICE ID	RELATED SHORT DESCRIPTION
SOURCING OPPORTUNITY ANALYSIS	opa01	Analysis	3	Define Current State		
	opa02	Analysis	3	Sourcing Criteria		
	opa03	Analysis	2	Demand Identification		
	opa04	Analysis	2	Sourcing Options		
	app01	Analysis	2	Sourcing Approach		
	app02	Analysis	2	Procedure Business Case		
	app03	Analysis	2	Governance Model		
	app04	Analysis	3	Impact & Risk Analysis		
	app05	Analysis	2	Sourcing Initiation Decision		
	pln01	Initiation	2	Plan Establish Sourcing Project		
SOURCING PLANNING	pln02	Initiation	2	Service Definition		
	pln03	Initiation	2	Procedure Service Provider Selection Procedures		
	pln04	Initiation	2	Procedure Evaluation Criteria		
	pln05	Initiation	2	Procedure Prepare Service Requirements		
	spe01	Initiation	2	Procedure Communicate Requirements	cnt06 cnt07 cnt08	Gather requirements Review requirements Respond to the requirements
	spe02	Initiation	2	Procedure Evaluate Potential Service Providers		
	spe03	Initiation	2	Procedure Select Candidate Service Providers		
	agr01	Initiation	3	Guideline Negotiations Guidelines	cnt01	Negotiations
	agr02	Initiation	2	Guideline Confirm Existing Conditions	cnt03	Confirm existing conditions
	agr03	Initiation	2	Plan Negotiations	cnt05	Plan negotiations
SOURCING AGREEMENTS	agr04	Initiation	2	Agreement Roles	cnt09	Contract roles
	agr05	Initiation	2	Define Slas & Measures	sdd04 cnt10 cnt11	Service specification Create contracts Amend contracts
	agr06	Initiation	2	Procedure Create Agreements	cnt10	Create contracts
	agr07	Initiation	2	Procedure Amend Agreements	cnt11	Amend contracts
	tfr01	Initiation	2	Plan Service Transition	sdd02 sdd03	Design & deploy services Plan design & deployment
	tfr02	Initiation	3	Procedure Verify Design	sdd07	Verify design
	tfr03	Initiation	2	Procedure Resources Transferred Out	tfr01	Resources transferred in
	tfr04	Initiation	2	Procedure Personnel Transferred Out	tfr02	Personnel transferred in
	tfr05	Initiation	2	Knowledge Transferred Out	tfr01	Resources transferred in

CA	PRACTICE ID	CL	PRACTICE TYPE	SHORT DESCRIPTION	RELATED ESCM-SP PRACTICE ID	RELATED SHORT DESCRIPTION
SOURCED SERVICE MANAGEMENT	mgt01	Delivery	2	Plan Perform Sourcing Management	rel01 del01 del02	Client interactions Plan service delivery Train clients
	mgt02	Delivery	2	Procedure Performance Monitoring	del04	Verify service commitments
	mgt03	Delivery	2	Procedure Financial Management	del08	Financial management
	mgt04	Delivery	2	Procedure Agreement Management		
	mgt05	Delivery	2	Problem & Incident Monitoring	del05 del06	Correct problems Prevent known problems
	mgt06	Delivery	2	Service Delivery Change Management	del03 del07	Deliver service Service modifications
	mgt07	Delivery	2	Procedure Service Change Management	del07	Service modifications
	mgt08	Delivery	2	Procedure Review Service Performance	del04	Verify service commitments
	mgt09	Delivery	3	Guideline Stakeholder Feedback	rel05	Stakeholder information
	mgt10	Delivery	3	Procedure Service Value Analysis		
	mgt11	Delivery	2	Procedure Continuation Decision		
	cmp01	Completion	2	Plan Completion Planning	tfr04	Resources transferred out
	cmp02	Completion	3	Procedure Service Continuity	tfr03	Service continuity
	cmp03	Completion	2	Procedure Resources Transfer From Service Provider	tfr04	Resources transferred out
	cmp04	Completion	2	Procedure Personnel Transfer From Service Provider	tfr05	Personnel transferred out
	cmp05	Completion	2	Procedure Knowledge Transfer From Service Provider	tfr06	Knowledge transferred out

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For more information visit itsqc.cmu.edu or email escm@cmu.edu.