



The eSCM-CL v1.1: Model Overview

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

William E. Hefley and Ethel A. Loesche

PART
1

eSCM-CL

Carnegie Mellon

Capability Maturity Model® and CMM® are registered trademarks of Carnegie Mellon University. Carnegie Mellon® is a registered trademark of Carnegie Mellon University. CMMI® is a registered trademark of Carnegie Mellon University. CMM Integration™ is a service mark of Carnegie Mellon University. COBIT® is a registered trademark of the IT Governance Institute (ITGI). COPC2000® is a registered trademark of Customer Operations Performance Center, Inc. IDEAL™ is a service mark of Carnegie Mellon University. ISACA® is a registered trademark of the IT Governance Institute (ITGI). ISO® is a registered trademark of International Organization for Standardization. ITGI® is a registered trademark of the IT Governance Institute (ITGI). ITIL® is a registered trademark of the U.K. Office of Government Commerce. Six Sigma® is a registered trademark of Motorola, Inc.

©2006 by Carnegie Mellon University. All rights reserved.

Information Technology Services Qualification Center (ITSqc)

Carnegie Mellon University
5000 Forbes Avenue
Pittsburgh, PA 15213-3891

<http://itsqc.cmu.edu>

Additional copies of this material are available for download at the ITSqc website.

Carnegie Mellon University

Information Technology Services Qualification Center
Technical Report No. CMU-ITSQC-06-002
Published September 27, 2006 in Pittsburgh, Pennsylvania, USA.

External use

Except as permitted by Consortium agreements, requests for permission to reproduce this document or prepare derivative works of this document for external and commercial use should be addressed to the ITSqc Director.

Internal use

Permission to reproduce this document and to prepare derivative works from this document for internal use is granted, provided the copyright and "No Warranty" statements are included with all reproductions and derivative works.

No Warranty

This Carnegie Mellon University material is furnished on an "as-is" basis. Carnegie Mellon University makes no warranties of any kind, either expressed or implied, as to any matter including, but not limited to, warranty of fitness for purpose or merchantability, exclusivity, or results obtained from use of the material. Carnegie Mellon University does not make any warranty of any kind with respect to freedom from patent, trademark, or copyright infringement.

Abstract

Organizations are increasingly delegating their information technology (IT) intensive business activities to external service providers to take advantage of the rapid evolution of the global telecommunications infrastructure and emerging information and communication technologies (ICT) capabilities. The business processes being outsourced range from routine and non-critical tasks, which are resource intensive and operational, to strategic processes that directly impact revenues. Managing and meeting client expectations are major challenges in sourcing of IT-enabled services, and examples of failure abound.

The eSourcing Capability Model for Client Organizations (eSCM-CL) is a "best practices" capability model with 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 sourcing capability. The ultimate success of the Model will be demonstrated when Model adopters see fewer sourcing relationships that end due to deficiencies in service providers' performance, more effective and efficient management of service providers, better relationships between client organizations and their service providers, and increased business value arising from client organization's sourcing activities.

The eSCM-CL was developed by a consortium led by Carnegie Mellon University's Information Technology Services Qualification Center (ITSqc). This work began in March 2003. Data collection activities have included an extensive review of the published literature; interviews with clients, service providers, and advisors; and multiple workshops with global participation. This document presents the architecture and rationale for the eSCM-CL. The current version, the eSCM-CL v1.1, is composed of 95 Practices that address the critical capabilities needed by clients of IT-enabled services. This document provides valuable information about the eSCM-CL, its implementation, and methods to evaluate and certify client organizations.

Keywords

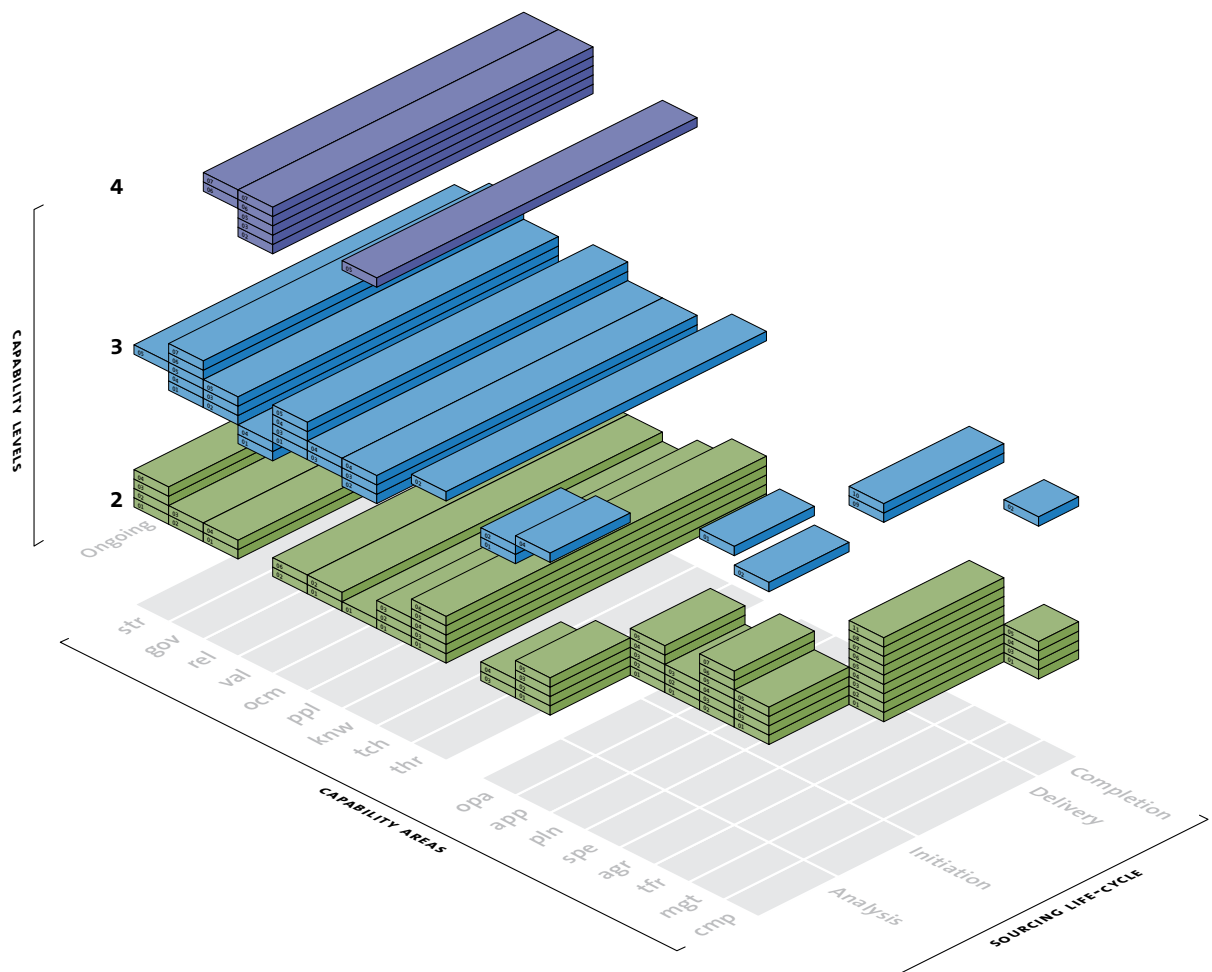
eSourcing, eSCM, eSCM-CL, eSourcing Capability Model, client organization model, best practices, quality models and systems, capability models, business process outsourcing, BPO, information technology, information technology outsourcing, ITO, IT-enabled sourcing, ITES, IT-enabled outsourcing services,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

The eSCM-CL v1.1: Model Overview

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

William E. Hefley
ITSqc, Carnegie Mellon University

Ethel A. Loesche
Visiting Scholar, ITSqc, Carnegie Mellon University
TPI, Inc.



Acknowledgments

This work has been supported by the ITSqc Research Consortium. Current members of the ITSqc consortium are Accenture; CA; DBA Engenharia de Sistemas (DBA); Deloitte; EDS; Hewlett-Packard (HP); IBM Global Services; itSMF-US; Outsourcing Institute; Phoenix Health Systems; Satyam Computer Services, Ltd.; STQC (the Standardisation, Testing and Quality Certification Directorate, an attached office under the Department of Information Technology, Government of India), TPI; COPPE, Federal University of Rio de Janeiro; and an undisclosed client organization.

This effort was made possible through the assistance of many individuals. First and foremost, the ITSqc Advisory Board and its Chair, Dr. Raj Reddy, provide ongoing guidance to the team: Mark Clifton, Phoenix Health Systems; Shari Dove, Accenture; Robert Frazzini, Deloitte; Dr. Mark Kamlet, Carnegie Mellon University; Dr. Ramayya Krishnan, Carnegie Mellon University; Tony Macina, IBM Global Services; Susan Mauldin, HP; Shawn McCray, TPI, Inc.; Don McGinnis, itSMF; Paulo Mordehachvili, DBA Engenharia de Sistemas (DBA); Bill Phifer, EDS; Dr. Adriano Proença, COPPE, Federal University of Rio de Janeiro; Dr. S. L. Sarnot, STQC; Prabhoo Sinha, Satyam Computer Services, Ltd.; and Gunilla Sundstrom, Wachovia Corporation.

We want to especially thank the participants of the eSCM for Client Organizations (eSCM-CL) workshops, held at ITSqc in April and September 2003, June 2004, February 2005, and December 2005, as well as the numerous individuals at organizations that have allowed us to interview them as part of the development of the eSCM-CL to better understand the current state of the practice in sourcing management. We give special thanks to those who could not be named here due to non-disclosure restrictions. We also thank Frank Casale, Outsourcing Institute; Ravi Chander, Satyam Computer Services, Ltd.; Lester Diamond, General Accounting Office; Don Flores, TPI, Inc.; Ken Hamilton, itSMF; Chet Mauk, IBM Global Services; Leah Palmer, itSMF; and Alan Yamamoto, IBM Global Services for their participation. All of these individuals and organizations have provided keen insights into the depth and breadth of challenges and issues encountered by organizations engaged in sourcing in the IT-enabled services (ITES) marketplace, best practices in sourcing, and the human capital management and knowledge and skill development issues for these organizations.

Several ITSqc colleagues contributed to the development of this document. We greatly appreciate the work done by the authors of the eSourcing Capability Model for Service Providers (eSCM-SP), as the eSCM-CL framework builds on the framework developed for eSCM-SP. The eSCM-SP Version 2 author team consisted of Dr. Elaine B. Hyder; ITSqc; Keith M. Heston, Accenture; and Dr. Mark C. Paulk, ITSqc. We also acknowledge our colleagues who helped author and test earlier versions of the eSCM-SP Model and Capability Determination methods. These pioneers are Vivek Mahendra, Bennet Kumar (currently at TCS), Rajesh Gupta (currently at UBS), Habeeb Mahaboob, Palanivelrajan Subramanian, and K. Madhu, of Satyam Computer Services, Ltd. We would also thank Subrata Guha of Satyam for his many fruitful discourses.

Other colleagues who have contributed to these efforts include Dr. Jane Siegel and Jeff Perdue who provided valuable feedback on the eSCM-CL Practices and material on Capability Determination methods. The overall document design was done by Paul Burke and Thomas Pope, as were the graphics. Punyashree Viswanath, a graduate student in the Master of Information Systems Management program, provided research support.

Special thanks go to Pawan Khera, currently with IBM Global Services, and previously associated with the ITSqc, the Tepper School of Business, and the Heinz School of Public Policy and Management, all at Carnegie Mellon University. Pawan participated in the ITSqc's various client-focused workshops and interviews, contributed greatly to our literature review and annotated bibliography, and assisted with early drafts of this material.

Finally, this work was enabled by our research and administrative staff, especially Elise Nawrocki and Kelly Widmaier. Our summer intern, Dan Hefley, assisted with the bibliographic research and editing.

Table of Contents

- 1 Introduction
- 2 The IT Services Qualification Center
- 2 eSourcing Capability Model for Client Organizations (eSCM-CL):
A Companion Model

Chapter 1

- 5 eSourcing**
- 7 Types of Sourcing Relationships
- 8 Types of Sourcing

Chapter 2

- 9 Sourcing Issues and a Solution**
- 10 Growth of eSourcing
- 11 Critical Issues for eSourcing
- 12 eSourcing Perspective
- 19 Applying Frameworks to eSourcing
- 19 The Intent of the eSCM for Client Organizations

Chapter 3

- 27 The eSCM-CL Structure**
- 28 Practices
- 28 Sourcing Life-cycle
- 32 Capability Areas
- 43 Mapping Capability Areas to Critical Issues
- 44 Capability Levels
- 46 The eSCM-CL Focus by Capability Level

Chapter 4

- 47 Using the eSCM-CL**
- 48 Implementing the eSCM-CL
- 50 Evaluating the Sourcing Capability of Client Organizations

Chapter 5

- 51 Capability Determination Methods & Certification**
- 52 Types of Determination Methods
- 55 The Capability Determination Process
- 58 Organizational Readiness
- 59 Implementation of the eSCM-CL
- 61 Certification
- 62 ITSqc's Role in the Certification Process

Chapter 6

- 65 Interpreting the Intent of the eSCM-CL**
- 66 Capability vs. Maturity Models
- 67 Practice Types
- 69 Measurement in the eSCM-CL
- 72 Other Documentation Requirements in the eSCM-CL
- 73 Supporting the Institutionalization of the eSCM-CL Practices

Chapter 7

- 75 Summary**
- 77 Glossary & References**
- 78 Glossary
- 89 References

95 Appendices

- 96 Appendix A: Development of the eSCM-CL
- 101 Appendix B: One Page Practice Summary
- 102 Appendix C: Practices by Capability Area

Figures & Tables

6	Figure 1. Types of sourcing services
7	Figure 2. Types of sourcing relationships
25	Figure 3. eSCM-CL focuses on sourcing activities
28	Figure 4. Three dimensions of the eSCM-CL
29	Figure 5. The Sourcing Life-cycle
32	Figure 6. The Capability Areas
33	Figure 7. Architecture of the eSCM-CL
43	Table 1. Mapping Critical Issues to Capability Areas
44	Figure 8. The Capability Levels
44	Figure 9. Capability Level 1: Performing Sourcing
44	Figure 10. Capability Level 2: Consistently Managing Sourcing
45	Figure 11. Capability Level 3: Managing Organizational Sourcing Performance
45	Figure 12. Capability Level 4: Proactively Enhancing Value
45	Figure 13. Capability Level 5: Sustaining Excellence
46	Table 2. The eSCM-CL focus by Capability Level
53	Table 3. Capability Determination Methods
54	Figure 14. Potential paths to Certification
56	Figure 15. Decision Tree for type of Capability Determination
57	Figure 16. Capability Determination flow
61	Figure 17. Capability Determination timeline
70	Figure 18. Measurement Path through the eSCM-CL Capability Levels
97	Table 4. Existing quality models and standards analyzed
99	Table 5. Organizations involved in eSCM-CL development activities

Introduction

Allocating business activities to an outside organization in order to derive cost and quality benefits is not a new concept to organizations; outsourcing has been widely used since the mid-twentieth century. Initially outsourcing was used primarily for the manufacturing of industrial components, as well as for some non-core services such as facilities management. Outsourcing of information technology (IT) started in the 1960s when organizations commonly used timesharing as a way to manage costs. In the 1970s organizations started to outsource parts of their data processing operations to external service providers in an effort to achieve significant cost savings. The 1980s and 1990s witnessed the establishment of some landmark outsourcing agreements that involved the shifting of entire IT operations to external service providers.

The rapid globalization of business and the increased focus on core competencies in the late 1980s and the 1990s also led organizations to extend the concept of outsourcing to IT-intensive business processes. These business processes included customer care, finance and accounting, human resources, information services, and logistics. More recently, IT-intensive projects and tasks, including engineering services, geographical information systems, multimedia content development, and transcription services are also being increasingly outsourced. The primary drivers for this trend are increasing competitive pressures, a need to access world-class capabilities, and a desire to share risks. The allocation of selected business activities to a common shared services center to gain benefits of standard practices also gained widespread acceptance during the same timeframe.

Organizations are increasingly delegating IT-intensive business activities to service providers to take advantage of new growth in the global telecommunications infrastructure and emerging information and communication technologies (ICT) capabilities. The business processes being outsourced range from routine and non-critical tasks, to strategic processes that directly impact revenues. Over the past several years, many kinds of organizations, from manufacturing firms to banks to hospitals, have been delegating IT-enabled activities to external service providers because they are focusing on core competencies or lack their own in-house capabilities. In many cases, they have not been satisfied with the results of these sourcing relationships.

The actions of the client organization and those of the service provider in these sourcing relationships are both critical for success. Managing and meeting client expectations is a major challenge for service providers in these business relationships, and examples of failure abound. Challenges that client organizations face include:

- Establishing an appropriate sourcing strategy,
- Identifying capabilities that could be sourced,
- Developing appropriate approaches for sourcing activities,

- Managing risks throughout their sourcing activities,
- Identifying, selecting, and negotiating with service providers,
- Conducting service provider governance and performance management, and
- Managing relationships with their service providers.

The IT Services Qualification Center

The IT Services Qualification Center (ITSqc) at Carnegie Mellon University has focused its attention and effort on the IT-enabled services (ITES) segment of the global market. ITSqc creates capability models and qualification methods to improve sourcing relationships in the Internet-enabled economy. The ITSqc Research Consortium includes organizations involved in the growth and development of this fast-growing segment of the global economy as clients, service providers, advisors or consultants, and the standards community.

The ITSqc developed the eSourcing Capability Model for Service Providers (eSCM-SP), which is a “best practices” capability model with three purposes: (1) to give service providers guidance that will help them improve their capability across the sourcing life-cycle, (2) to provide clients with an objective means of evaluating the capability of service providers, and (3) to offer service providers a standard to use when differentiating themselves from competitors. Prospective clients can evaluate service providers based on their eSCM-SP level of certification and Practice Satisfaction Profile.

The eSCM-SP was developed by a consortium led by the ITSqc. In November 2001 the eSCM SP v1.0 was released. After significant evaluation and revision, the eSCM for Service Providers (eSCM-SP) v1.1 was released in October 2002. The current version, the eSCM-SP v2 released in April 2004, is composed of 84 Practices that address the critical capabilities needed by IT-enabled service providers [Hyder 2004a, 2004b].

Current members of the ITSqc consortium are Accenture; CA; DBA Engenharia de Sistemas (DBA); Deloitte; EDS; Hewlett-Packard (HP); IBM Global Services; itSMF; Outsourcing Institute; Phoenix Health Systems; Satyam Computer Services, Ltd.; STQC (the Standardisation, Testing and Quality Certification Directorate, an attached office under the Department of Information Technology, Government of India), TPI; Federal University of Rio de Janeiro - COPPE; and an undisclosed client organization.

eSourcing Capability Model for Client Organizations (eSCM-CL): A Companion Model

The ITSqc has developed a best practices model that allows client organizations to continuously evolve, improve, and innovate their capabilities to develop stronger, enduring, and more trusting relationships with their service providers, and to meet the dynamic demands of their business while effectively managing service delivery by their service providers. The eSourcing Capability Model for Client Organizations (eSCM-CL) is a “best practices” capability model that gives client organizations guidance in improving their capability throughout the sourcing life-cycle. It is intended to be a companion model to the eSCM-SP, focusing on the client aspects of successful sourcing relationships. The eSourcing Capability Model for Client Organizations (eSCM-CL) enables client organizations to appraise and improve their capability to foster the development of more effective relationships, better manage these relationships, and experience fewer failures in their client-service provider relationship.

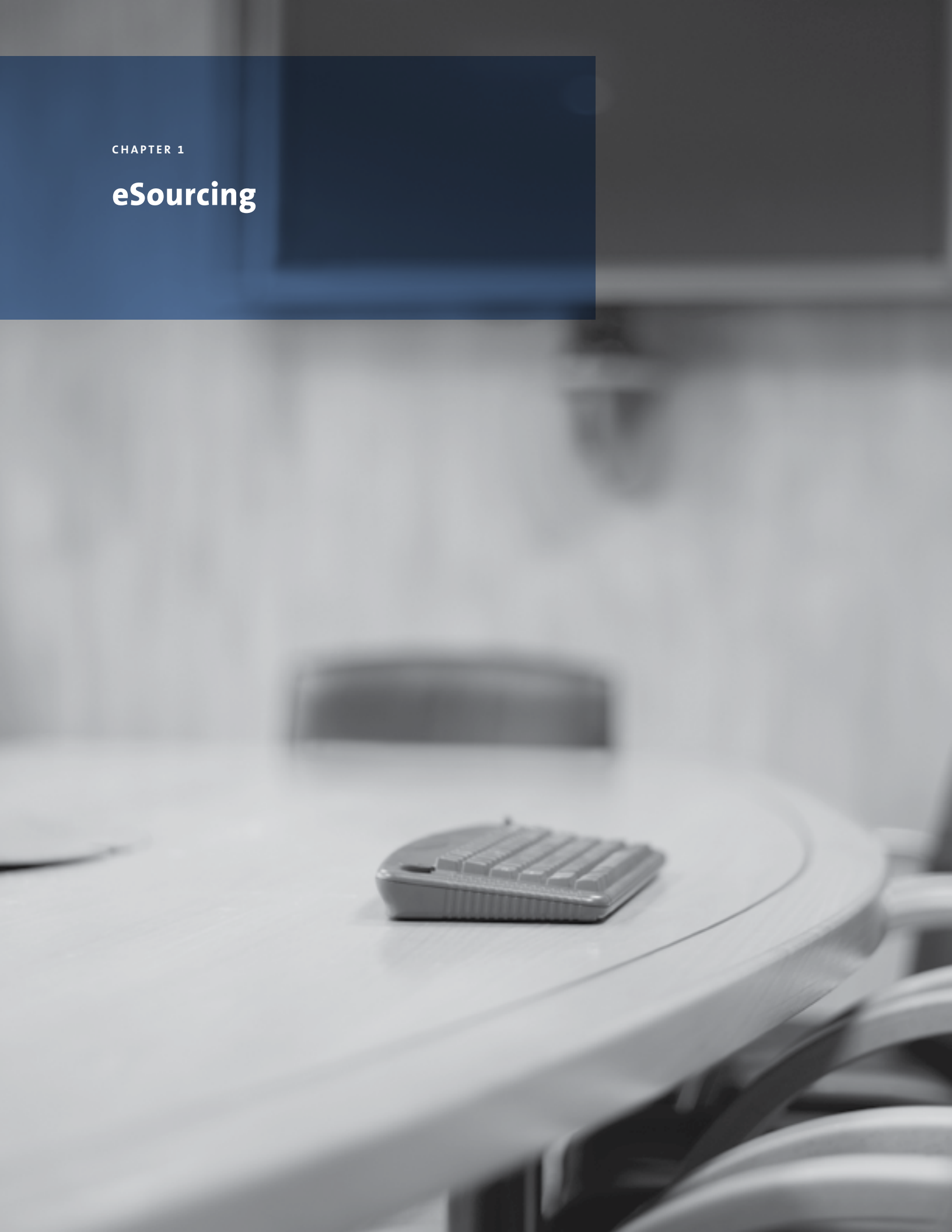
The eSourcing Capability Model for Client Organizations (e-SCM-CL) has two purposes: (1) to give client organizations guidance that will help them improve their sourcing capability across the sourcing life-cycle, and (2) to provide client organizations with an objective means of evaluating their sourcing capability. The eSCM-CL gives client organizations both guidance to improve their sourcing activities and a well-defined standard to use in evaluating these activities to achieve certification and demonstrate their sourcing capabilities through certification. Client organizations can be differentiated by prospective service providers based on their eSCM-CL level of certification and Practice Satisfaction Profile.

The eSCM-CL enables client organizations to appraise and improve their capability to foster the development of more effective relationships, better manage these relationships, and experience fewer failures in their client-service provider relationship. The ultimate success of the model will be demonstrated when model adopters see fewer sourcing relationships that end due to deficiencies in service providers' performance, more effective and efficient management of service providers, better relationships between client organizations and their service providers, and increased business value arising from client organization's sourcing activities.

The eSCM for Client Organizations (eSCM-CL) is composed of 95 Practices that address the critical capabilities needed by client organizations involved in sourcing IT-enabled services. The eSCM-CL was developed by the ITSqc consortium.

CHAPTER 1

eSourcing



IT-enabled sourcing, or eSourcing, uses information technology as a key component of service delivery or as an enabler for delivering services. eSourcing is often provided remotely, using telecommunication or data networks. These services currently range from routine and non-critical tasks that are resource intensive and operational in nature to strategic processes that directly impact revenues. eSourcing relies on information and communication technologies as an integral part of the service delivery.

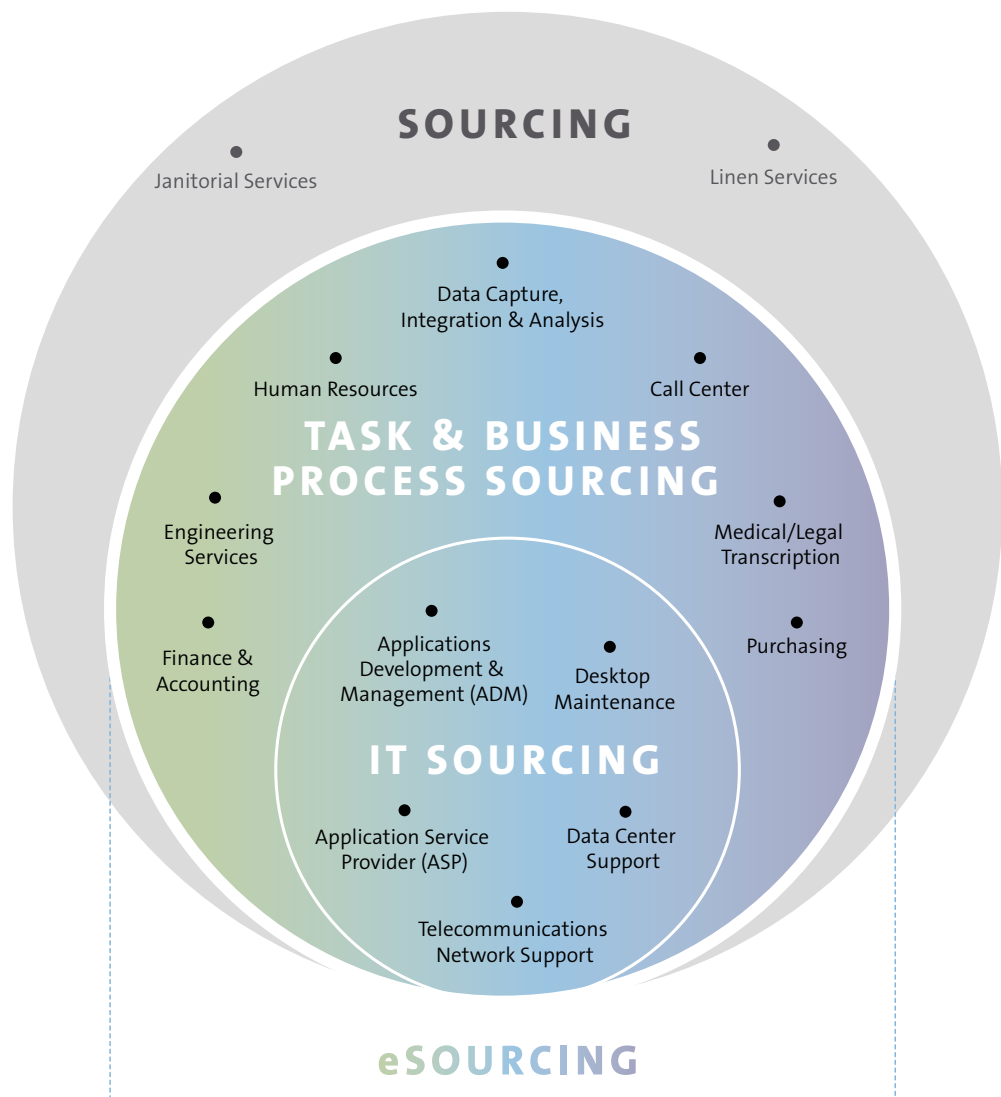


Figure 1.
Types of sourcing services
The central two circles, IT Sourcing and Task & Business Process Sourcing, are covered by eSourcing. The outer circle, Sourcing, is excluded from eSourcing.

There are several common characteristics of eSourcing. Service design and deployment activities focus on designing the delivery processes, setting up a technology infrastructure, and managing the skills needed for service delivery. The client organization may transfer personnel, knowledge, and the service delivery infrastructure to the service provider. The service delivery phase typically spans multiple years, and often includes continuous or repetitive tasks. The service provider may

transfer personnel, knowledge, and the service delivery infrastructure back to the client at the completion of the sourced service.

Figure 1 shows examples of the types of sourcing services, highlighting the differences between sourcing as a whole, traditional IT sourcing, and task and business process sourcing. eSourcing includes the two middle circles: traditional IT sourcing, and task and business process sourcing. eSourcing typically excludes services such as janitorial services, which are not delivering technology or using technology as a key enabler for delivering service.

Types of Sourcing Relationships

The rapid evolution of the Internet and the increased availability of bandwidth have facilitated the formation of geographically dispersed organizations. This ability to extend past geographical boundaries has contributed to the growth of eSourcing and has made possible the formation of a wide variety of sourcing relationships. These relationships typically fall broadly into one of the following categories:

- Traditional: a single service provider delivers service to a single client.
- Co-sourcing: two service providers work together to deliver service to a single client. Often, one of these providers is internal and the other is external to the client.
- Multi-sourcing: multiple service providers provide services to a single client. The client takes responsibility for managing and integrating the services of the various service providers.
- Alliance: multiple service providers collaborate to serve one or more clients. Often, one of the service providers has a primary role in interfacing with the client on behalf of the alliance. An alliance is sometimes referred to as a Delivery Alliance.
- Joint Venture: multiple service providers form a collaborative business venture to serve one or more clients. Often, the first client may be part of the joint venture.

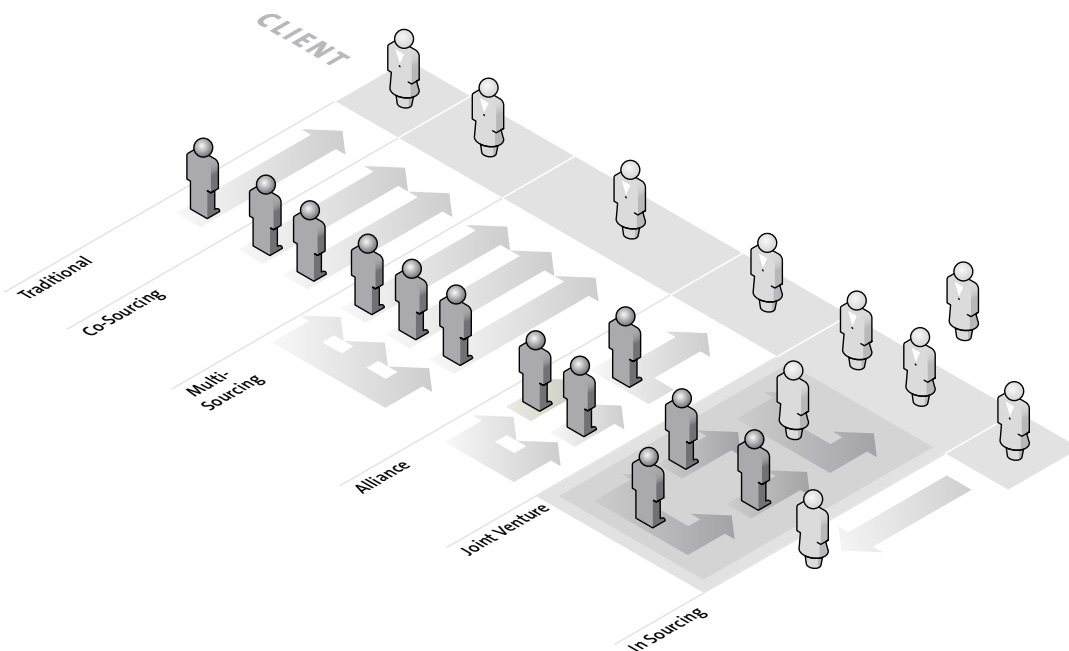


Figure 2.
Types of sourcing relationships
The types of sourcing relationships are illustrated here. Note that, in some cases (joint venture and insourcing), the client is involved in both sides of the relationship.

- **Insourcing:** a group within the client organization is selected as a service provider, but is largely managed as an external entity. Often this group must compete with external suppliers or service providers for work. Insourcing may refer to services provided to the client organization by a shared services center, which could be located onshore or offshore, or by a dedicated delivery center, which also could be located onshore or offshore. The latter are often referred to as captive centers or global delivery centers.

Sourcing, as used in this document, refers to any and all of these types of relationships. Figure 2 provides a graphic depiction of these sourcing relationships.

Service provider, as used in the eSCM-CL, refers to the entities that provide IT-enabled sourcing services to a client organization. The role of service provider is performed by any organizational units, whether internal or external, that delivers and supports IT-enabled sourcing services to a customer. The service provider is managed as a separate entity from the client organization in a sourcing relationship between the client organization and the service provider. The client organization is the buyer of sourced services from their service providers.

Types of Sourcing

Sourcing can be broadly divided into three categories. These three categories are:

- (1) Selective sourcing is where a portion of a business function is sourced. This ranges from a single task (e.g., check printing) to an entire process (e.g., payroll processing) within a business function.
- (2) Total sourcing occurs when an entire business function is sourced (e.g., Human Resources).
- (3) Transitional sourcing is the practice of temporarily sourcing during a period of transition. For example, sourcing legacy payroll systems while a new payroll system is being developed. The intent of transitional sourcing is not to source the function long term, but only for the duration of the transition period [Willcocks 1998].

CHAPTER 2

Sourcing Issues & a Solution



Growth of eSourcing

IT-enabled services are being sourced at a rapid rate. The evolution of the Internet and the global telecommunications infrastructure has provided client organizations with a choice of service providers located anywhere in the world. Simultaneously, competitive pressures have driven organizations to find the most cost-effective way to get the IT-enabled services they need while maintaining or improving their quality of service.

Many studies confirm outsourcing's current rapid growth path. According to a study by AMR Research, 50% of IT companies will outsource a portion of their business in 2006, up from 20% in 2003 [Gardner 2003]. State and local government spending on IT outsourcing are projected to reach \$23 billion by fiscal year 2008, more than doubling the amount in 2003 [Chabrow 2003]. New outsourcing opportunities are also opening for finance and accounting functions. Approximately 30% of the companies that participated in a 2003 survey by Accenture and the Economist Intelligence Unit reported that they currently outsource finance and accounting functions, with two-thirds of those characterizing the arrangement as successful or very successful [Business Wire 2003].

Perhaps the most obvious reason for the growth of outsourcing is cost savings. Outsourcing certain business functions often costs less than hiring, maintaining, and training in-house staff, and acquiring the necessary technology and infrastructure to handle these functions, many of which are highly-regulated [TrainExcel 2002]. Service providers strive to achieve economies of scope (across customer portfolio) and economies of scale (across service portfolio), which may result in lower unit costs for services.

Outsourcing operational and administrative functions that do not generate revenue enables companies and departments to focus on their core business and on their customers' needs. For example, by outsourcing human resources (HR) tasks like payroll administration, and data-entry and maintenance of employees' information, the HR department is free to focus on being the company's employee advocate, business change agent, and strategic business partner [TrainExcel 2002].

In addition to these factors, recent advances in network security, leased lines, and storage have made it technically easy to outsource [Gardner 2003]. Technological barriers to outsourcing are being diminished.

Companies that are considering significant technology upgrades often find outsourcing a beneficial alternative. Service providers invest in the technologies, methodologies, and people required to excel in their area of expertise. They work with many clients facing similar challenges, and become experts in solving those particular problems. The clients also gain experience and an ability to innovate by taking advantage of the service providers' expertise and capable people.

Business Process Outsourcing (BPO) is a special class of outsourcing that deals with business functions that have been traditionally tightly-coupled (or integrated) to the client organization's business than those functions that have been traditionally outsourced. BPO occurs when a client sources one or more of its key processes to an external organization to enable higher business

performance, reduce costs, or improve operational efficiency. These may even include strategic processes that have otherwise been kept in-house. According to a 2003 Forrester report [Ferrell 2003], four business segments are excellent candidates for successful and effective BPO. These candidates for successful BPO are:

- Straightforward bulk transactions, including credit card and stock transactions, are expected to reach \$57 billion of annual BPO market space by 2008.
- Broad shared-services outsourcing, including finance, administration, human resources, and indirect procurement, are also expected to reach \$57 billion of the annual BPO market space by 2008.
- High-volume vertical processes, including policy administration, claims, and loan applications, are expected to reach \$6 billion of the annual BPO market space by 2008.
- More complex and specialized vertical applications, including monitoring chemical control processes and environmental data reporting, are expected to reach \$5 billion of the annual BPO market space by 2008.

Knowledge process outsourcing (KPO) is another class of outsourcing that typically deals with unscripted, knowledge-based tasks [Martorelli 2005]. KPO typically requires skill and knowledge levels in service provider personnel which are higher-level, specialized, or differentiated from many rule-based or scripted BPO operations.

An International Data Corp. (IDC) study of over 175 senior executives from a wide range of industries found that organizations are expanding beyond traditional IT outsourcing, delegating business processes that are closer to their core competencies, including some human resources processes (19% of the respondents), call center or customer care activities (18%), and some logistics and supply chain management processes (16%). An even greater number of respondents said they are likely to outsource more of these business-related functions and processes in the future [Canada Newswire 2003].

Critical Issues for eSourcing

The advantages of sourcing do not come without risk. A 2003 study released by Accenture and the Economist Intelligence Unit [Business Wire 2003] cited the three risks most often considered. These risks are:

- the risk of valuable data falling into competitors' hands (52%),
- the risk that the cost of outsourcing will exceed expectations (48%), and
- the erosion of in-house knowledge (45%).

Even after overcoming these initial concerns and contracting with a service provider, clients often find that sourcing is not fully meeting their needs. Twenty percent of respondents to an InformationWeek survey said that their outsourcing experiences had not met their expectations. In addition, many clients need to renegotiate sourcing contracts and reevaluate their choice in service providers [Gareiss 2002].

According to a Dataquest study, more than half of all sourcing customers report having renegotiated a contract, and in nearly one-quarter of these renegotiations the original service provider lost the account [Gartner 2000]. In Dun & Bradstreet's Barometer of Global Outsourcing, companies

reported that between 20% and 25% of all outsourcing relationships fail in any two-year period. Some 50% of the relationships fail within five years. The reasons cited for failure are remarkably similar across all types of relationships. Nearly 70% of the respondents noted that the outsourcing supplier “didn’t understand what they were supposed to do” and “the cost was too high and they provided poor service” [Ozanne 2000].

In spite of the problems reported by many respondents, clients continue to plan to increase their outsourcing in the years beyond 2000. Over 30% of the companies presently outsourcing functions of their businesses are actively engaged in searching for outsourcing opportunities in additional functional areas [Ozanne 2000].

eSourcing Perspective

Sourcing failures are largely related to a core set of critical issues affecting sourcing relationships. Based on literature review [Kumar 2001] and interviews with IT-enabled sourcing service providers and clients, 23 issues were identified as critical for successful eSourcing [Hyder 2004a]. In developing the eSCM-CL, we have conducted an extensive, up-to-date literature review [Khara 2006], and have held multiple interviews with IT-enabled sourcing service providers, clients, and advisors and consultants. This additional perspective has provided new insights into these 23 common issues, as well as provided a unique client perspective on issues, which will be addressed in the following section.

The common issues facing eSourcing are:

Establishing and maintaining trust with stakeholders.

Building a trusting relationship with stakeholders is critical to success, especially in global sourcing, where sourcing relationships often span multiple years. This is particularly the case between clients and service providers, but is also important for all suppliers and partners involved in the sourcing relationship. By managing expectations and effectively responding to personnel, clients, and end-users, the service provider establishes trust with its stakeholders to help establish long-term relationships.

A trusting relationship is also important with client personnel in order to overcome in-house resistance. 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. Many clients typically do not effectively execute communication plans for internal and external audiences to overcome these barriers.

Managing stakeholder expectations.

A common source of failure in sourcing relationships is a difference in expectations between the client, the service provider, and their suppliers and partners. Identifying and managing those expectations helps to ensure a common understanding of what is necessary for success.

Client organizations often have difficulty with expectation management. End-user expectations about service delivery and performance, perspectives of senior management and key stakeholders are all critical to success. Buy-in and support from management, power-brokers, and other key stakeholders (e.g., unions or key employees) is very important

in establishing and sustaining sourcing efforts. Successful communications plans that tailor messages to audiences and clearly help set expectations can be a crucial, but often overlooked, aspect of expectation management.

Translating implicit and explicit needs into defined requirements with agreed-upon levels of quality.

A frequent cause of failure in sourcing is that the service provider does not fully understand the needs of the client. This may be due to the inability of clients to adequately express their needs, ambiguity in scope or the definition of services, difficulties in defining service levels, as well as by a lack of rigor by the service provider in gathering and analyzing those needs. Many client and service provider teams interpret scope of engagements differently. Some service providers have difficulty in understanding their client's business. In Dun & Bradstreet's Barometer of Global Outsourcing, nearly 70% of the respondents noted that the outsourcing supplier "didn't understand what they were supposed to do" and "the cost was too high and they provided poor service" [Ozanne 2000].

Successful service providers rigorously gather and analyze the stated and unstated needs, then translate those needs into a set of documented requirements. Successful sourcing relationships also recognize that needs change over time and establish provisions for gathering and analyzing modifications to the sourced services. However, many clients do not baseline their existing operations or benchmark the desired state for service provision, so they do not bring realistic expectations into the stated requirements.

Establishing well-defined contracts with stakeholders, including clients, service providers, suppliers, and partners.

Poorly written contracts are a common cause of failure in sourcing, resulting in a significant number of contracts being renegotiated. Sourcing arrangements are typically long-term in nature and require agreements that are clear and detailed, as well as being flexible enough to account for business changes. Formal mechanisms are required in order for the provider to identify changing needs, modify services based on those changes, and amend agreements to reflect the current requirements and commitments.

Many clients report feeling that they are at a disadvantage regarding their limited experience in performing many sourcing tasks, such as service provider identification, selection, and negotiation. This perceived disadvantage stems from clients, who infrequently engage in these tasks, facing off against service providers who routinely engage in entering into complex agreements for service delivery. This lack of experience and lack of appropriate processes for service provider selection leads to inappropriate service provider selection. Resulting agreements may be ambiguous, lack flexibility or ability to adapt over time, or be overly long or overly restrictive. Some clients report difficulties arising out of an over-reliance on service providers' standard contracts.

Reviewing service design and deployment to ensure adequate coverage of the requirements.

Frequently, failure in sourcing is caused by the service provider not fully addressing the needs of the client or understanding the client's business. To ensure that the service delivery will meet the client's needs, successful engagements include rigorous reviews of the service design and deployment activities by the clients and the service provider prior to service

delivery. These client reviews are difficult when clients do not fully understand or baseline their existing operations, have measurements for current operations, or can clearly describe benchmarks for the desired state for service provision.

Ensuring the effectiveness of interactions with stakeholders.

Sourcing, especially global sourcing, often involves a combination of face-to-face and remote interactions. Interactions between clients and service providers need to be managed in order to effectively understand their needs; clear communications with all stakeholders can have a strong positive impact on the ability to effectively perform work. Ambiguity or lack of clearly defined roles and responsibilities for both client and service provider personnel can impact the effectiveness of these interactions.

Managing relationships between clients and service providers, as well as supplier and partner relationships, to ensure that commitments are met.

A successful relationship requires efforts by both parties. Clients cannot relinquish responsibility for their services when they transfer the service to a service provider. However, some clients tend to abdicate entire responsibility to providers after their sourcing agreement is signed.

Meeting commitments requires that these commitments be clearly established and understood. In many cases, both clients and service providers are challenged when they try to interpret service level agreements (SLAs). This leads to situations where client and service provider teams interpret the requirements or scope of engagements differently. ITSC research shows that clients are often focused on the meaning of the measures (i.e., the business results), while service providers place more emphasis on the values of the measures (i.e., whether their service levels are meeting the required SLAs).

Sourcing engagements often include multiple service providers working together to meet the client's needs. Regardless of the type of relationship (such as alliance, joint venture, subcontractor, and supplier), suppliers and partners of the service providers can have a significant impact on the effectiveness of the service delivery and they must be actively managed. Challenges to be overcome include an actual or perceived lack of supplier responsiveness, and getting suppliers to work together in constructive manners that add value for the client organization.

Ensuring compliance with statutory and regulatory requirements.

Clients are faced with numerous statutory and regulatory requirements. In many sourcing arrangements, they are accountable and held responsible for compliance, while the actual service delivery is managed and controlled by the service provider. In global sourcing, service providers are often faced with the need to comply with a large variety of laws and regulations, including laws in unfamiliar countries or regions. Effectively operating in this environment requires rigorous analysis and management of all applicable legal requirements to protect themselves and their clients, establishment of appropriate operational or security controls, and procedures to ensure confidentiality, integrity, and availability of information.

Managing clients' security.

Managing security and controlling critical data and assets are critical to establishing trust. Security management includes protection of intellectual property, confidentiality, and privacy concerns. Breakdowns, such as security breaches, can impact the service provider's ability to provide adequate service and can irreparably damage the relationship with the client. Clients often face issues surrounding protection of end-user information, and the sharing of confidential information with service providers.

Managing cultural differences between stakeholders.

In sourcing relationships, there are many potential cultural differences between service providers, clients, end-users, suppliers, and partners. These include differences between country, region, and organizational culture. These cultural attributes need to be identified and addressed in order to guard against breakdowns in communication.

Monitoring and controlling activities to consistently meet the service delivery commitments.

Successful service providers rigorously monitor their service delivery activities to ensure that the client's commitments are being met. Actions are taken to resolve and prevent problems, thereby escalating issues as appropriate to ensure that they are addressed in a timely basis.

Governance of sourcing engagements and performance management are not activities that client organizations can leave solely for service providers to perform. Difficulties arise when clients engage in passive managing and monitoring, have inadequate measures of service level performance, or an absence of effective controls and independent validation. Ineffective cost monitoring and control can lead to cost escalation. A lack of viable contingency plans can expose the client organization to unnecessary risks.

Monitoring and managing clients' and end-users' satisfaction.

Success is not always defined in terms of meeting the agreed-upon commitments, because clients and end-users may be unsatisfied even when commitments are being met. Successful sourcing engagements monitor the satisfaction levels of stakeholders to identify problems and take action.

Building and maintaining the competencies that enable personnel to effectively perform their roles and responsibilities.

Sourcing is often highly dependant on specialized competencies, without which personnel cannot effectively perform the work assigned to them. Clients need to know the skill sets and competencies needed in their own organization and from the service provider's staff. Many clients report a managerial or governance skill shortage, resulting in a lack of appropriately trained and qualified personnel to manage and monitor their ongoing sourcing engagements. Client organizations need to retain, develop and deploy appropriate technical and managerial skills to manage, oversee, and coordinate with service providers. Service providers need to manage the competencies of individuals as well as the workforce as a whole, in order to ensure that work is effectively performed and that the client's requirements are met.

Clients are also seriously challenged by both internal and external change management efforts posed to accomplish successful sourcing. Sourcing management staff, as well as other retained staff, all must deal with changes as new means of service delivery are deployed. Any staff, whether transferred or retained, must also deal with change and adapt while maintaining service delivery.

Managing employee satisfaction, motivation, and retention.

IT-enabled sourcing often involves challenges during transition and deployment, and during service delivery. High employee turnover jeopardizes the service provider's ability to meet its clients' requirements, and undermines their expected gains and performance levels. Ensuring that appropriate competencies are developed in client and service provider personnel can increase employee satisfaction, reduce stressful situations, and create conditions that enhance motivation and retention of critical sourcing personnel. Proactively monitoring and managing employee satisfaction and motivation can improve personnel retention and effectiveness, as well as assist in guiding ongoing change management activities. Proactive communication can assist these actions.

Establishing and maintaining an effective work environment.

A work environment that is well suited to the service being delivered and managing the service enables personnel to effectively perform their work. It also contributes to employee satisfaction and retention.

Maintaining a competitive advantage.

Service providers need to effectively demonstrate their capabilities relative to competitors. This is initially done to differentiate the service provider from the competition in such a way that they will be chosen over other providers. On an ongoing basis, this is done to continually improve the organization's capabilities and demonstrate to clients that the current service provider is the organization best equipped to meet clients' changing needs. An important aspect of being competitive is demonstrating financial stability and longevity. For client organizations, an important aspect of competitiveness is focused on understanding the organization's sourcing performance and its alignment with the organization's objectives and sourcing strategy.

Innovating, building flexibility, and increasing responsiveness to meet unique and evolving client requirements.

The most successful sourcing relationships are those where both parties are able to be flexible and responsive to clients' changing needs. Adopting innovations is one way to add value and meet new needs. Another is to actively manage the performance of the organization and continuously improve its capabilities. A focus on innovation and value creation is the responsibility of both client organizations and their service providers in robust, successful sourcing relationships.

Managing rapid technological shifts and maintaining the availability, reliability, accessibility, and security of technology.

By definition, technology is a key component of eSourcing; without technology, the delivery of IT-enabled services could not be possible. Major challenges for the service provider include keeping pace with rapid changes in technology and effectively managing the technology infrastructure while changes are incorporated. Clients face challenges remaining involved in managing their technological strategies, architectures, and infrastructures.

Capturing and using knowledge.

Managing knowledge is critical to avoid rework and improve the consistency and quality of work performed by personnel on all sides of a sourcing relationship. This includes the effective storage, retrieval, and use of knowledge gained on engagements. A key aspect of establishing this knowledge management is successful, and adequate, knowledge transfer during the Initiation phase of the Sourcing Lifecycle. Equally important is the transfer and retention of knowledge during the Completion phase.

Smoothly transferring services and resources.

A common cause of failure in sourcing is the ineffective management of the transfer of services and resources to and from service providers, leading to service delivery problems or failures. Successful clients and service providers rigorously control the transfer of services and resources to ensure that the new service provider is able to adequately deliver the service and that service continuity is maintained. Successful knowledge transfer, along with appropriate training of client personnel to manage the service provider and of service provider personnel in the client's business, assists in the transfer of services.

Maintaining continuity of the service delivery.

Effectiveness of sourcing is related to the ability to maintain service continuity despite any problems that arise. Successful clients plan and prepare for business continuity throughout the life-cycle. Successful providers manage service continuity by effectively controlling and preventing problems during service delivery, preparing and responding to threats (e.g., disasters and risks), and coordinating the transfer of service during periods of transition (e.g., during Initiation and Completion).

Capturing and transferring knowledge gained to the client during completion.

A frequent concern of clients who consider sourcing is that in-house knowledge will be eroded, making it impossible to bring sourced services back in-house. Successful relationships address this concern by making provisions for capturing and transferring knowledge back to the client during completion.

Measuring and analyzing the reasons for termination, to prevent reoccurrence.

Termination may happen for a number of reasons, including an inability of the service provider to meet changing client needs, resolve problems, meet commitments, or match the capabilities of competitors. Rigorously analyzing the reasons for termination and taking action based on the findings helps to prevent issues from recurring and ensure the long-term success of sourcing relationships.

Client Organizations' Perspective

Client organizations face a number of additional critical issues affecting their sourcing relationships or their performance of sourcing activities. There are three issues which comprise an additional client-focused perspective on eSourcing. These client-focused issues are:

Establishing a strategy for the organization's sourcing activities.

Client organizations often have an inadequate focus on Analysis, Initiation, and Completion activities. They may not have a strategy for sourcing, or may have a strategy that is not synchronized or aligned with the IT or corporate strategies of the client organization. The sourcing strategy should clearly describe sourcing objectives; be in alignment with the organization's business, growth, and continuity strategies; clearly have executive sponsorship, as opposed to weak or non-existent executive sponsorship; be defined, documented and followed; and be regularly updated as conditions change.

The organization's sourcing strategy should guide analysis activities to prepare for and overcome difficulties in the initial decision making. It should ensure that the organization understands which capabilities or processes (strategic/non-strategic, core/non-core, or key/non-key) should be retained in the organization, that non-core activities often may be outsourced too automatically, and that the organization gives adequate consideration to the full economic impact of its sourcing activities.

Being an informed buyer of eSourcing services.

Client organizations should be an informed customer of sourced services. Client organizations often make decisions to source without considering the fit with broader or long-term business strategies, the impact on short-term organizational performance, whether sourcing is appropriate or if they are joining a fad, or the risks of losing internal expertise.

Client organizations should be actively involved in managing the activities in the Analysis and Initiation phases of the Sourcing Lifecycle. Some client organizations tend to rely on consultants to conduct source selection. This can result in a lack of appropriate consideration of consequences (e.g., lack of direct communication with potential providers) or inadequate involvement by the client organization in the decisions and risk management of the sourcing process.

Sourcing should be a part of the organization's process management approach, rather than an exception. This requires developing competency in sourcing and managing sourcing relationships. Many organizations view their sourcing activities as separate isolated projects, i.e., single events or transactions, rather than as an integral part of their ongoing management processes. Some client organizations establish special sourcing projects named to convey popular images to investors, e.g. "right sourcing" or "global sourcing," rather than addressing sourcing as a part of the organization's standard business processes. Others learn the hard way that "distress outsourcing," which is outsourcing a problem area as a way to solve that problem, often leads to more distress. Passing a problem to a service provider does not eliminate the problem; rather it increases the number of parties involved in or trying to solve it. Often, this leads to additional distress or continuing problems after the sourcing engagement begins [ITGI 2005]. Some clients have found that they have better outcomes and are able to negotiate better arrangements when they involve internal team bids, treating insourcing as another potential type of sourcing relationship.

Actively managing sourcing risks.

Sourcing does not necessarily transfer the governance, accountability, or the risks associated with the outsourced activity. Client organizations should actively identify, manage, and mitigate all relevant risks. Key client risks that may arise include:

- poor strategic planning with respect to sourcing,
- inadequate alignment of the sourcing strategy, corporate strategy, and IT strategies,
- potential changes in client's business practices and processes,
- in-house resistance and poor communication,
- change management efforts are often neglected or ignored,
- lack of clear division of responsibilities between client organizations and their service providers,
- communications difficulties with the service providers due to cultural differences or poorly-defined service provider interactions,
- potential dependency on service providers, and
- reputation risks, where a highly visible problem at the service provider is a potential problem for the client due to adverse publicity.

Applying Frameworks to eSourcing

Existing Frameworks do not comprehensively address best practices client organizations need to successfully source IT-enabled services. Our preliminary investigation showed that most current quality models do not address all phases of sourcing process (spanning Analysis, Initiation, Delivery, and Completion activities). The development of the eSCM-CL is described in Appendix A.

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 agreements, managing service delivery, and managing service completion.

The Intent of the eSCM for Client Organizations

Over the past several years, many organizations, from manufacturing firms to banks and financial institutions to hospitals, have been delegating computer-intensive activities to external service providers because they are focusing on core competencies or lack their own in-house capabilities. Organizations are also making effective use of shared services arrangements which offer centralized management of activities for multiple users within an organization [Kearney 2004]. Effective use of sourcing can deliver substantial reductions in and control over costs, and, thus, can help firms gain competitive advantage and to focus on core competencies. Nevertheless, numerous sourcing relationships experience severe problems and fail to demonstrate the business value of sourcing IT enabled services to the organization. Additionally, exhaustive literature review and interactions with professionals in the sourcing industry has helped ITSq identify other key issues in sourcing of IT-enabled services from clients' perspective. The eSCM for Client Organizations seeks to address these key issues.

The eSourcing Capability Model for Client Organizations (eSCM-CL) is a "best practices" capability model with two purposes. These purposes are to:

Provide client organizations with guidance that will help them improve their capability across the sourcing life-cycle.

- To provide client organizations with a set of best practices that will help them improve their capabilities across their sourcing activities.
- To help client organizations establish, manage, and sustain continuously improving sourcing relationships.
- To provide guidance to the clients in mitigating the business, regulatory, and legal risks in sourcing IT-enabled services.
- To help client organizations build competence to manage their sourcing strategies.
- To guide client organizations in focusing on their core competencies and operations strategic to the client organization through improved sourcing management capabilities.
- To help client organizations measure the business value of the sourcing relationships.
- To ensure stakeholder satisfaction across all phases of the sourcing process.

Provide client organizations with an objective means of evaluating their sourcing capability.

- To provide clients with an objective means for evaluating their own capabilities in sourcing IT-enabled services.
- To support client organizations in using multiple Capability Determination methods for evaluating their sourcing capabilities,
- To become the preferred resource for best practices and Capability Determination methods for clients of IT-enabled sourcing services,
- To ensure compatibility of this Model with other major client-focused models to avoid duplication of effort by client organizations.

Thus, the eSCM-CL gives client organizations both guidance to improve their sourcing activities and a standard to use in evaluating these activities to achieve certification and demonstrate their sourcing capabilities through certification. Client organizations can be differentiated by prospective service providers based on their eSCM-CL level of certification and Practice Satisfaction Profile.

The ultimate success of the Model will be demonstrated when Model adopters see fewer sourcing relationships that end due to deficiencies in service providers' performance, more effective and efficient management of service providers, better relationships between client organizations and their service providers, and increased business value arising from client organization's sourcing activities.

Audience for eSCM-CL

Organizations that will find the eSCM for Client Organizations useful are primarily client organizations who:

- procure or source IT-enabled services,
- delegate one or more of their information technology (IT)-intensive business activities to a service provider (either internal, shared services, or external),
- need guidance in improving and measuring their capabilities for successfully managing their sourcing relationships,
- wish to assess their sourcing capabilities, or
- wish to undergo an external evaluation or certification of their sourcing capabilities.

Additionally, advisors or consultants will find eSCM-CL useful in guiding best practice implementation in client organizations.

Guiding Principles for eSCM-CL

A number of principles have guided the development of the eSCM-CL. These twelve Guiding Principles and their rationales are described below.

1. Focus on sourcing management for IT-enabled services.

The eSCM-CL focuses on a client organization's activities for managing and executing within the sourcing life-cycle. The eSCM-CL is not a general business model or a general model for IT management, IT portfolio management, or IT value management

2. Building confidence and trust with all stakeholders

Client organizations need to build a culture of openness that instills confidence in their stakeholders. This should aid in building confidence and trust within the entire service value chain, between client and its service providers, within the client organization, and with the end users (who may be either internal or external customers) of the client. This promotes the ability to establish and nurture mutually beneficial and trusting relationships with their service providers. Multi-national and organizational cultural differences between the client's sourcing function and their internal stakeholders, between the client organization and its service providers, and cultural differences between the service provider and end-users may impact the quality of interactions and the overall quality of the sourcing relationships. Building confidence with all stakeholders enables better management of these cultural differences. Building confidence and trust also facilitates a coordinated service procurement, design, deployment and delivery that matches well with the users' context and requirements. Additionally, building confidence and trust promotes a culture of innovation that can enhance value for the client organization.

3. Communicating effectively with all stakeholders

Client organizations need to communicate effectively with stakeholders. Stakeholders include customers, business partners, investors, the business environment and employees. Ineffective communications strategy and execution are major causes of sourcing failures. Communication is a vital link between the various organizational elements and it enables the achievement of organizational objectives through the elements' coordinated functioning. Open communication fosters sharing of client and end-user related knowledge across the organization. When performing sourcing activities, communication is a primary means of providing information and quelling unrest and dispelling rumors in the workforce, each of whom may be concerned about adapting to the changes that sourcing may bring to their situation.

4. Increased agility through improved capability to effectively manage change

Sourcing initiatives affect many different parts of the organization, regardless of whether the sourcing is to an in-sourced shared services center or to an outsourcing service provider. Successful implementation of the technical and business changes and transformations in sourcing often requires adaptations in the human element of the system. The resulting cultural changes may affect all levels of the organization's workforce. Forrester suggests that

it can be more efficient and less costly to achieve the desired end state “if organizations implement a programmatic approach to organizational change management” [Roehrig 2005].

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 outsourcing on various human or “soft” dimensions of the organization at the beginning of a sourcing engagement and then enables addressing these issues. ‘Re-badging’ is an example where effective use of change management, especially in human resources and knowledge transfer, can facilitate a smooth transfer of personnel, skills, and knowledge.

5. Managing risks effectively

The sourcing of services has rapidly become a tool in management’s set of capabilities. With these sourcing activities now involving a multitude of participants and stakeholders, grounded in an ever-changing business and world environment, significant opportunities for risks to successful performance exist. The complex nature of these services and these relationships add to the potential sources for risks that affect the sourcing relationship.

Outsourcing does not necessarily transfer the governance, responsibility and accountability, or the risks associated with the outsourced activity [FSA 2005, HB 240:2000 2000]. These potential risks, along with management’s need for controls and compliance, require that a disciplined risk management process be applied in eSourcing settings. Such a process allows demonstration that all of the identified risks have been considered in terms of their consequences and likelihood; and appropriate risk management plans are in place to avoid, reduce, mitigate, transfer, or retain identified risks.

6. Effective business controls

Organizations today face increasing demands for controls and compliance from multiple external directives, including Sarbanes-Oxley compliance (US), HIPAA (US), Financial Standards Authority (UK), Organisation for Economic Co-operation and Development (OECD) Corporate Governance Principles, Basel II Accords, International Organization for Standardization Code of Practice for Information Security Management (ISO 17799), the COSO Model for Technology Controls, or other national regulations covering controls [IIA 2005]. Internal controls also provide assurance that compliance with applicable standards and relevant laws and regulations are routinely occurring. Effective controls must support business management and governance, as well as provide controls over information technology and its infrastructure. Appropriate controls must extend over any sourcing activity to provide for assurance related to the security, confidentiality, and reliability of information and information services and to assist in managing and mitigating the risks associated with a client organization’s use of a service provider.

7. Continual improvement of process and performance

Client organizations often have sourcing goals relating to improvements in quality or reductions in cost. These efficiencies may not be attained solely through the service providers, but are influenced by the internal workings of the client organization itself. Therefore, the client

organization has a need to enhance their internal performance by continually enhancing their sourcing capabilities. This is achieved by aligning organizational sourcing objectives with changing needs of the customers, ensuring that sourcing activities meet these objectives, and that sourcing activities are efficiently and successfully performed.

8. Focus on core competencies and strategic operations

A core competency is a deep proficiency that enables a company to deliver unique value to customers. Organizations that understand their core competencies are able to invest in the strengths that differentiate them, especially because these competencies are difficult for competitors to copy or procure, and set strategies that unify their entire organization by building on these competencies.

Many believe that organizations can leverage the skills and resources comprising these competencies to generate increased competitiveness and enhanced value. In doing so, organizations should engage in the concept of strategic sourcing by determining whether they could perform that service better than anyone else in the world, and by moving less important functions to sources able to excel at these functions [Quinn 1992, 1994]. When doing so, an organization can utilize a shared services center or an outsourced third party service provider to perform these non-core business activities. This focus on the organization's core competencies is often cited in studies of sourcing as one of the most important reasons, other than cost, for engaging in sourcing activities.

A source of competitive advantage for client organizations is the capability to provide continually increasing value to its stakeholders. This value can also be achieved through taking a strategic view of the organization's operations and treating sourcing as a strategic option, one that allows the organization to develop a comprehensive sourcing strategy that focuses on the managing the organization's capabilities to return the greatest value for the organization [Gottfredson 2005].

This value can be in monetary terms, or in terms of efficiencies and increased productivity or quality. This is often achieved by establishing a challenging environment that manages and promotes performance across all phases of the sourcing process, allowing the organization to focus on those areas where it can generate the greatest value for its stakeholders and making use of service provision, where appropriate, to achieve focused, high performance in all of the organization's business processes, without the organization having to master each process.

9. Building and sustaining the competence to effectively manage the sourcing strategy and sourcing engagements

To perform these sourcing activities efficiently and successfully, as well as to continually improve these internal capabilities (or to even develop a core competency in strategic sourcing), the client organization must foster an internal workforce competency in sourcing. Individuals involved in sourcing activities must have the knowledge, skills and processes available to them to execute their assigned responsibilities. In addition, the skills required to deliver a service are often different from the skills required to manage the relationship that delivers a service. In many cases, client organizations are experiencing difficulties in hiring and training individuals to perform these complex roles.

These individuals often find themselves in a quandary, attempting to stabilize their abilities to manage sourcing, while existing in an environment that demands an innovative and responsive culture. Client organizations need to create value for stakeholders in an ever-changing, highly competitive business environment. Client sourcing functions should be structured in a way that innovation, responsiveness to, and alignment with customer and business requirements become a part of their culture and daily work.

10. Improved sourcing governance

Many client organizations do not follow a sourcing process that encompasses the entire sourcing life-cycle, thus leading to many difficulties. Issues such as inadequate service provider selection, over-reliance on service provider standard contracts, inadequate executive sponsorship for sourcing and a resulting lack of sourcing objectives and strategy all lead to potential difficulties in successfully managing sourcing. Service transfer, performing value analyses, and planning for completion are also often neglected in many client organizations. Implementing a robust and disciplined sourcing process that considers the needs of the organization, the controls that are required to ensure financial and regulatory compliance, and manages the relationship with realistic performance standards is crucial for effective sourcing activities in the client organization.

11. Enhanced supplier/partner relationship management capabilities

Global sourcing often involves a combination of face-to-face and remote interactions. Interactions with service providers need to be managed in order to effectively understand their issues; clear communications with all stakeholders can have a strong positive impact on the ability to effectively perform work. The client sourcing organization must manage its service provider relationships to ensure that commitments are met. Sourcing engagements often include multiple service providers working together to meet the client's needs. Regardless of the type of relationship (such as alliance, joint venture, subcontractor, and supplier), service providers can have a significant impact on the effectiveness of the service delivery and their relationship must be actively managed by the client. At the same time, the client must maintain active communication and coordination with the internal stakeholders to understand their needs and expectations, solicit their feedback, and provide them with relevant status and performance information. These communication needs require an effective relationship management approach that addresses internal stakeholders, as well as relationships with service providers.

12. Measurement supports action

Client organizations need to manage their sourcing relationships by identifying and utilizing measures or indicators that best represent the factors that lead to improved customer, operational, and financial performance. Information (facts) forms the basis for understanding both the service and contractual performance needed to understand service provider performance, as well as internal sourcing management performance, and guide improvements. 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.

Limitations of eSCM-CL

According to Guiding Principle 1, the eSCM-CL focuses on sourcing activities. Figure 3 provides one view of this focus, emphasizing the strategic management aspects of the organization.

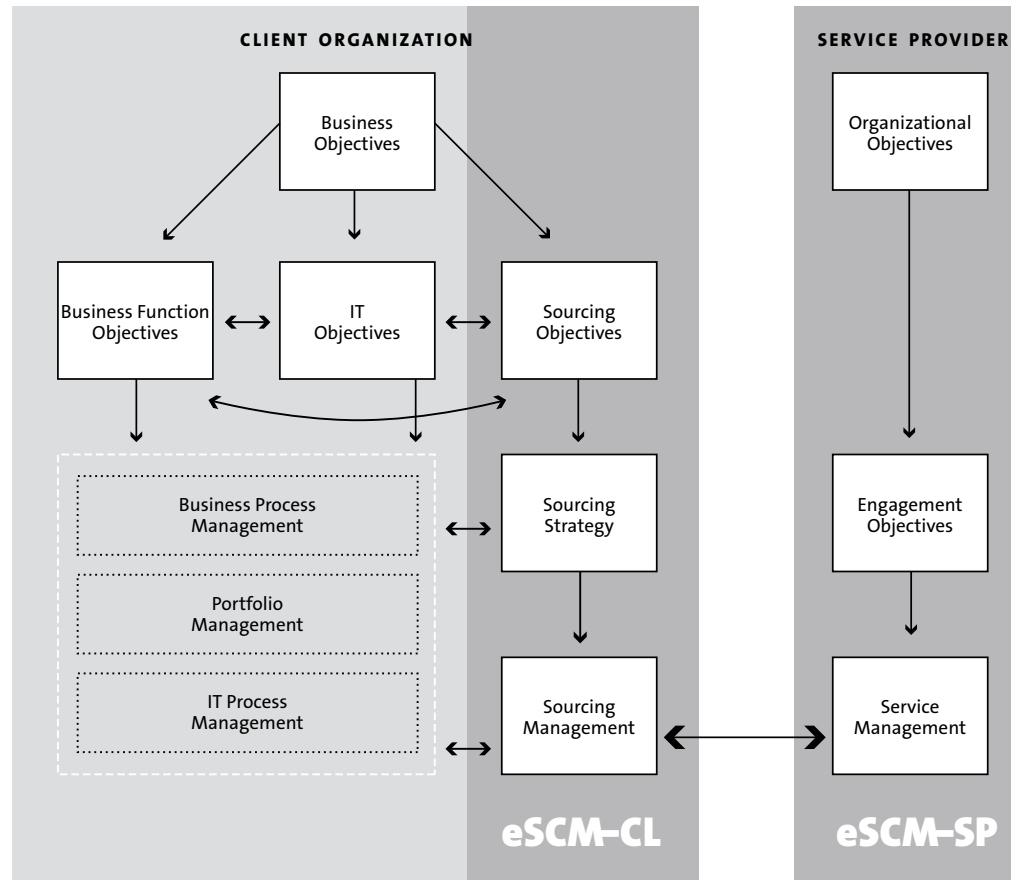


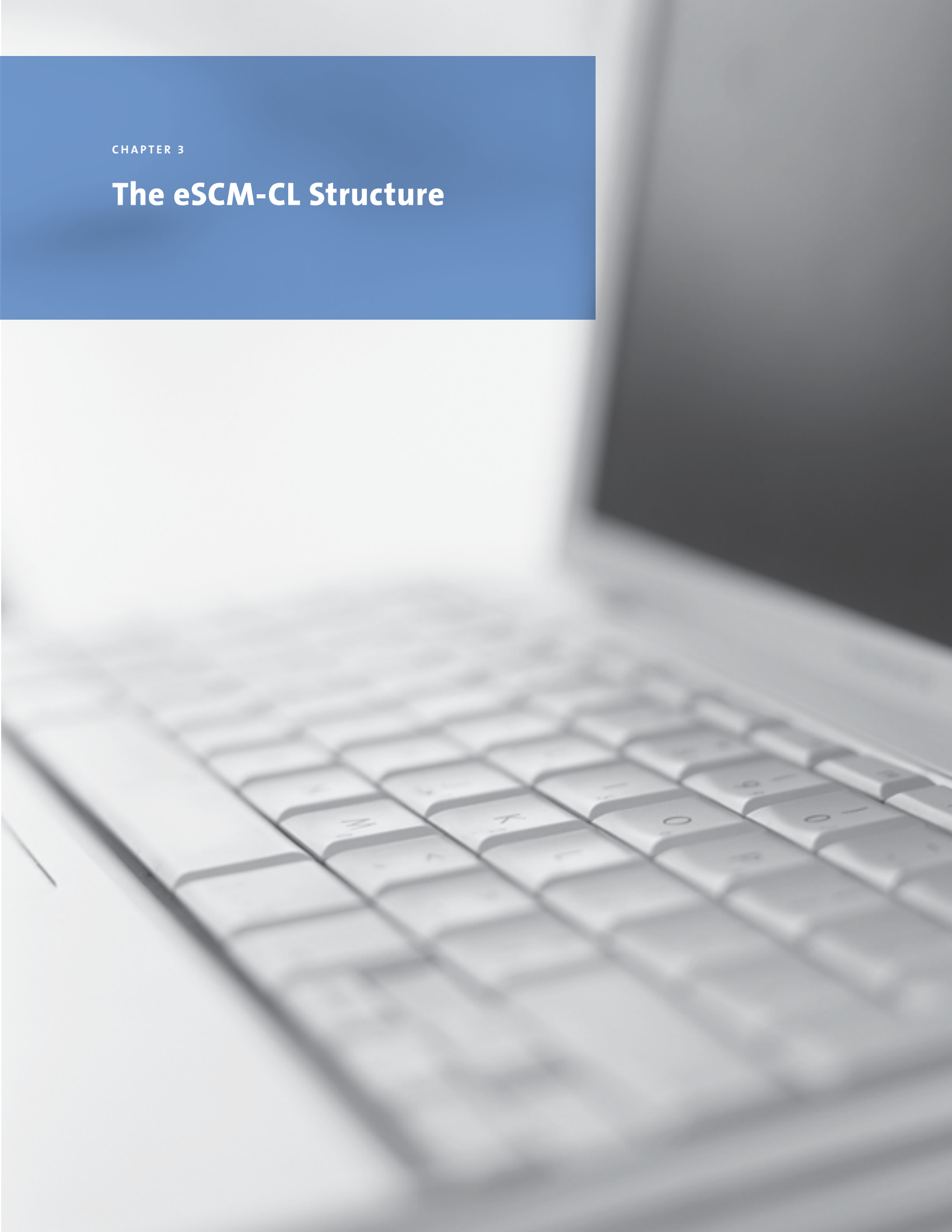
Figure 3.
eSCM-CL focuses on sourcing activities
This perspective emphasizes the strategic planning and strategic management processes within the client organization.

The eSCM-CL focuses on the sourcing activities of the client organization. It does not address all business processes within the client organization; in fact, the eSCM-CL relies on the client organization having in place a number of fundamental practices that support the accomplishment of the organization's sourcing activities. These include:

- Organizational objectives are established and maintained through a strategic planning process.
- Process management systems are implemented within the organization to support the establishment and use of organizational policies and procedures, and perform business process management functions.
- Knowledge management systems are in place that can encompass the sourcing activities.
- Personnel and human capital management systems in place that can support the establishment and competency growth of a sourcing competency in the client organization.

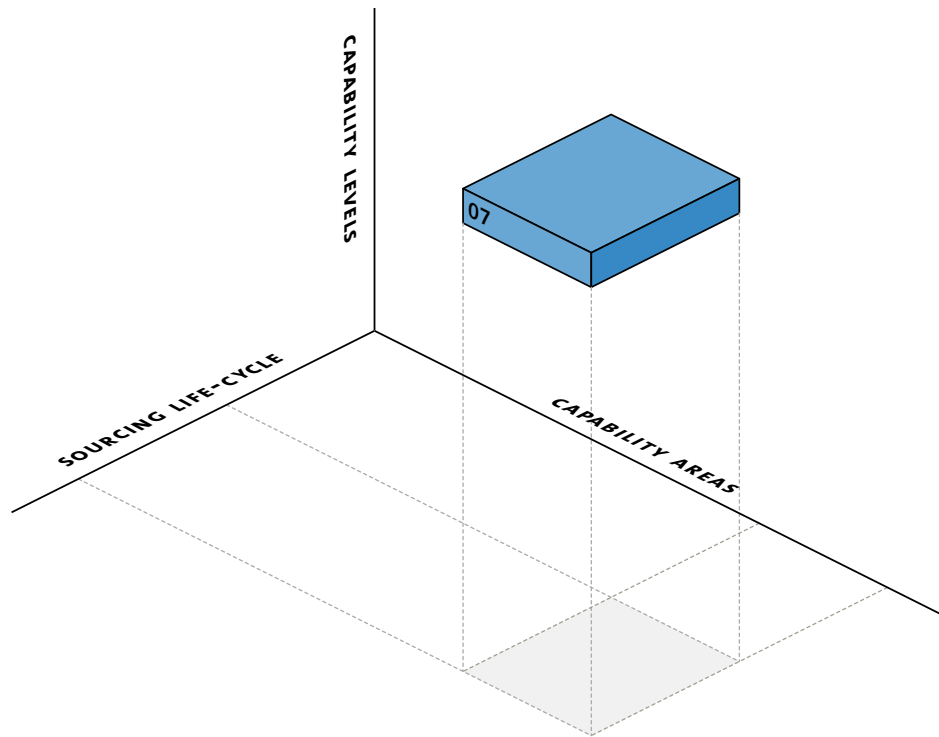
CHAPTER 3

The eSCM-CL Structure



The eSCM-CL is composed of 95 Practices, which can be thought of as the “best practices” that are associated with successful sourcing relationships. Each Practice is distributed along three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level. These three dimensions are described in the paragraphs below. Figure 4 depicts a single Practice in the eSCM-CL.

Figure 4.
Three dimensions of the eSCM-CL
Each eSCM-CL Practice is distributed
along three dimensions: Sourcing
Life-cycle, Capability Area, and
Capability Level.



Practices

Each of the 95 Practices in the eSCM-CL contains information about a sourcing best practice. This information includes a statement summarizing the best practice, a description of the best practice, a list of activities required to be performed, and supplemental information that helps clarify those activities. For more information on the structure of the 95 Practices, see *The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 2: Practice Details* [Hefley 2006]. For a one page summary of the Practices, see Appendix B. Appendix C 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.

Sourcing Life-cycle

Although most quality models focus only on delivery capabilities, in eSourcing there are also critical issues associated with initiation and completion of the sourced service, as well as the analytical activities within a client organization that precede a sourcing agreement. For this reason the first dimension of the eSCM-CL Practices highlights where in the Sourcing Life-cycle each Practice is most relevant.

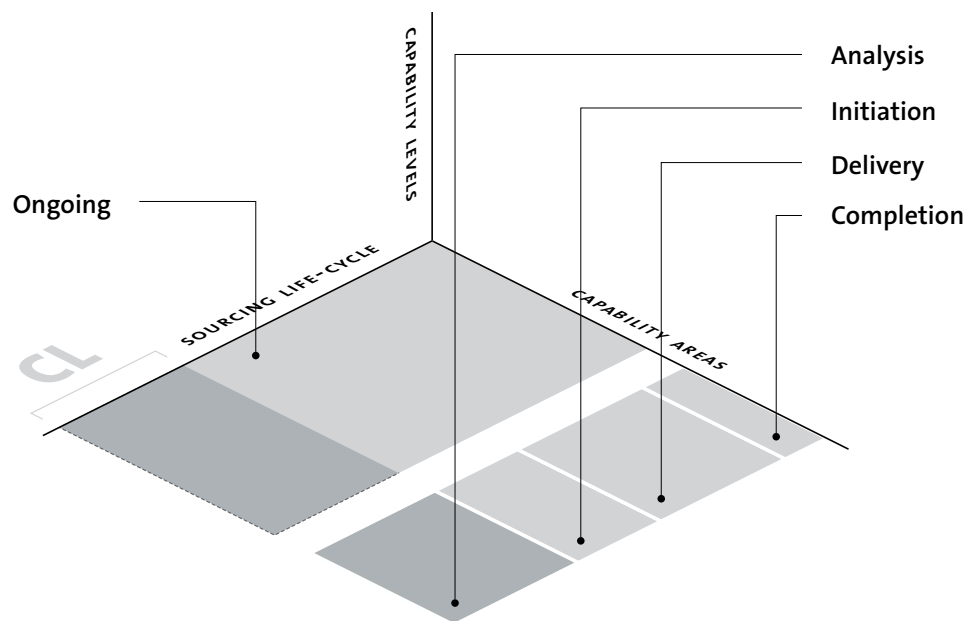


Figure 5.
The Sourcing Life-cycle
The Sourcing Life-cycle addressed by the eSCM-CL extends earlier than the Phases of the Sourcing Life-cycle covered by the eSCM-SP, as it addresses the sourcing activities of the client organization dealing with its analysis of its operations and potential sourcing opportunities during the Analysis Phase.

The Sourcing Life-cycle is divided into Ongoing, Analysis, Initiation, Delivery, and Completion. Ongoing Practices span the entire Sourcing Life-cycle, while Practices in Analysis, Initiation, Delivery, and Completion occur within specific phases of that Life-cycle. The Sourcing Life-cycle is depicted in Figure 5.

During Analysis, the client organization analyzes its operations and functions to identify those services, processes, or functions that could potentially be sourced, and develops the approach to be taken to source the identified opportunities. During Initiation, the organization prepares to select a service provider, evaluate potential service providers, negotiates with the service provider, agrees on requirements, and transfers that service, process, or function to the selected service provider. 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.

Ongoing

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 communica-

tions 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.

Ongoing Practices cover the following:

- Development of the organization’s sourcing strategy.
- Managing and motivating personnel to effectively manage sourcing activities.
- Managing relationships with service providers and internal stakeholders.
- Measuring and reviewing the organization’s sourcing performance and taking action to improve its performance.
- Defining the future state of the organization’s structure and processes (“To Be” State).
- Managing organizational change related to the organization’s sourcing activities.
- Managing information and knowledge systems so that personnel have efficient access to the knowledge relevant to the organization’s sourcing activities needed to effectively perform their work.
- Identifying and controlling threats to the organization’s ability to meet its objectives and successfully manage sourcing relationships.
- Ensuring that the technology architecture and infrastructure used to support delivery of service are managed.

Analysis

Practices in Analysis focus on the capabilities needed to analyze, within the organization, each of its operations and functions to identify those services, processes, or functions that could potentially be sourced, and to identify and develop the approach to be taken to source the identified opportunities. These Practices are concerned with ensuring that the organization has the appropriate information to make an informed decision to enter into a sourcing relationship, based on an understanding of its current operations to identify those potential functions, services, or processes that can be sourced, and having developed a planned approach to be followed in sourcing the identified opportunities. Analysis Practices cover the following:

- Understanding the current, or as-is, state of the client organization’s structure and processes.
- Identifying the relevant criteria for selecting sourcing opportunities.
- Identifying sourcing opportunities to meet sourcing objectives and criteria.
- Analyzing options for sourcing.
- Developing and validating the Business Case for each sourcing option.
- Identifying the sourcing approach and governance model for the proposed sourcing action.

- Performing impact and risk analyses of the proposed sourcing action.
- Making the decision whether or not to source the proposed sourcing action.

Initiation

Practices in Initiation focus on the capabilities needed to effectively prepare for managing sourced services. These Practices are concerned with establishing the sourcing management function, preparing for service provider selection, evaluating and selecting service providers, negotiating, establishing agreements, and transferring the service, including transferring the necessary resources. Initiation Practices cover the following:

- Preparing for service selection by developing the solicitation and criteria for selection.
- Soliciting and evaluating potential service providers.
- Preparing for negotiation by having an organizational position on cost, quality, and other topics that need to be negotiated.
- Defining the formal service level agreements and service provider performance measures.
- Understanding service provider's capabilities by gathering information about the service provider and confirming the assumptions that impact commitments.
- Establishing a formal agreement with service providers that clearly articulates the clients' and service provider's responsibilities and commitments.
- Providing feedback on the service design in order to ensure that the services are meeting the client's requirements and the agreed-upon commitments.
- Managing the effective transfer of resources needed for service delivery, including personnel, technology infrastructure, and work environment.

Delivery

Practices in Delivery focus on monitoring the service provider's service delivery capabilities, including the ongoing monitoring of service provider performance to verify that commitments are being met, monitoring changes, management of the finances and agreements associated with the service provision, fostering realistic expectations, and performing value analysis. They cover the following:

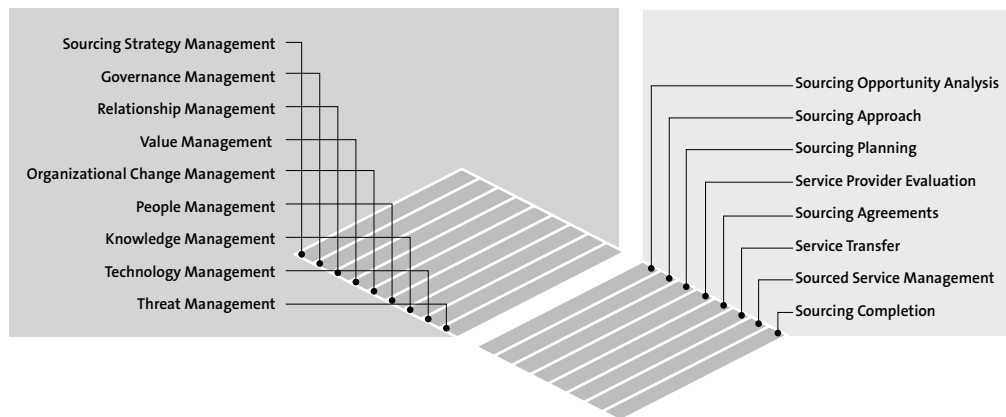
- Planning and tracking the sourcing management activities.
- Ensuring that services are delivered according to the agreed-upon commitments.
- Managing the finances associated with the service delivery.
- Identifying and controlling modifications to the services being provided or to the associated service commitments.
- Facilitating problem resolution for problems that impact the service delivery.
- Reconciling performance against expectations, and ensuring that the service provision returns value to the client organization.

Completion

Practices in Completion focus on the capabilities needed to effectively close down a sourced service, and perhaps a relationship, at the end of the Sourcing Life-cycle. They mainly include the transfer of resources to the client, or to a third party, from the service provider. They cover the following:

- Planning for closing down a sourced service and managing the agreement during the close-down period. This includes managing the agreement during termination proceedings, during renewal, or during normal completion.
- Managing the effective transfer of resources to the new service provider, whether it is to the client or to another service provider. This includes the potential transfer of people, technology infrastructure, and intellectual property, (e.g., source code or processes).
- Ensuring service continuity during the transfer of responsibilities for service provision.
- Identifying and transferring the knowledge capital critical for the delivery of service.

Figure 6.
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.



Capability Areas

eSourcing is performed through a series of interdependent functions that enables client organizations to effectively manage their sourcing activities and relationships. The second dimension of the eSCM-CL, Capability Areas, provides logical groupings of Practices to help users better remember and intellectually manage the content of the Model. These groupings allow client organizations to build or demonstrate capabilities in each critical sourcing function, addressing all of the critical sourcing issues discussed above. Figure 6 depicts the seventeen Capability Areas of the eSCM-CL.

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.

These Ongoing Capability Areas are presented by focus in the following order:

Governance-Focused

- Sourcing Strategy Management (str)
- Governance Management (gov)
- Relationship Management (rel)
- Value Management (val)

Competency- and Change-Focused

- Organizational Change Management (ocm)
- People Management (ppl)
- Knowledge Management (knw)

Environment-Focused

- Technology Management (tch)
- Threat Management (thr)

The other eight Capability Areas are temporal and are associated with a single phase of the Sourcing Life-cycle: Analysis, Initiation, Delivery, or Completion. Figure 7 depicts these Capability Areas by Sourcing Life-cycle phase. These temporal Capability Areas (by phase) are:

Analysis

- Sourcing Opportunity Analysis (opa)
- Sourcing Approach (app)

Initiation

- Sourcing Planning (pln)
- Service Provider Evaluation (spe)
- Sourcing Agreements (agr)
- Service Transfer (tfr)

Delivery

- Sourced Services Management (mgt)

Completion

- Sourcing Completion (cmp)

Figure 7 also depicts the full structure of the eSCM-CL. Each of these seventeen Capability Areas are described in the following paragraphs.

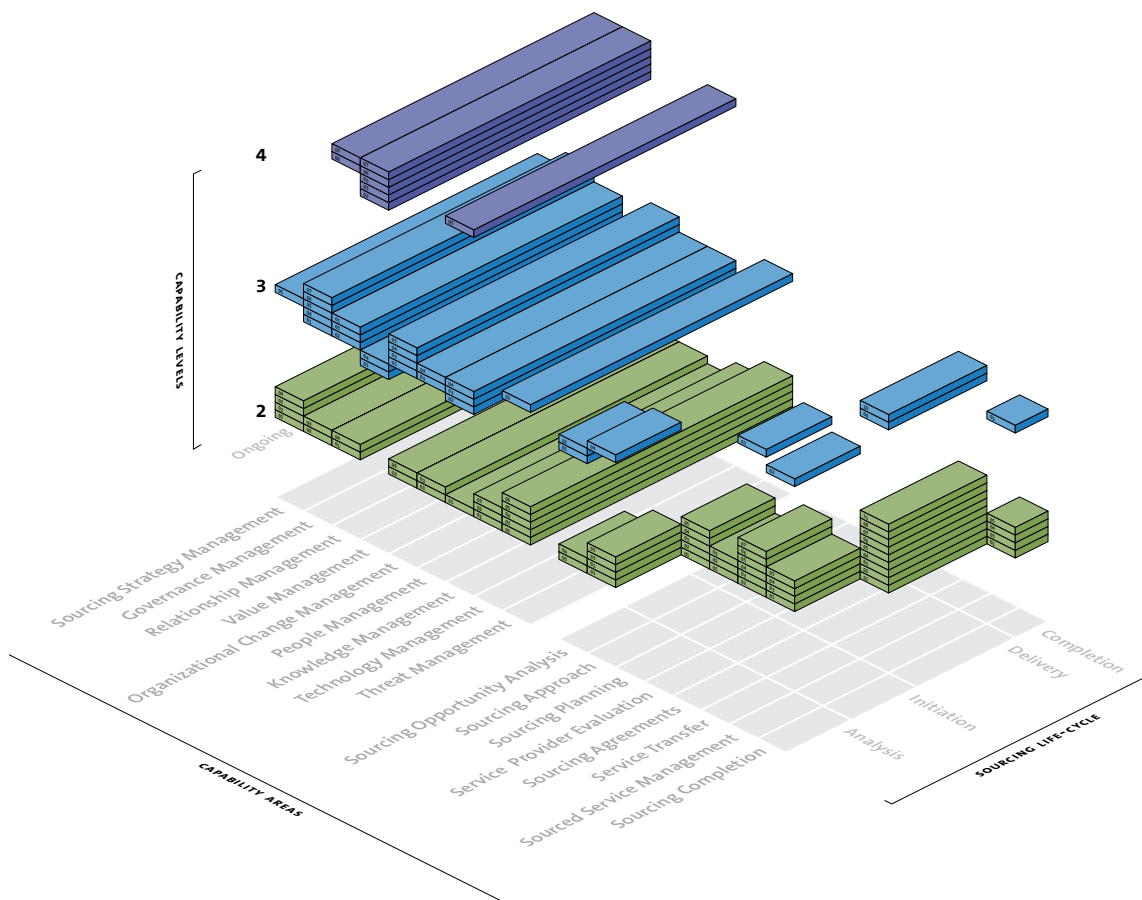


Figure 7.
Architecture of the eSCM-CL

Sourcing Strategy Management (str)

These 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. This Capability Area addresses the critical issues of establishing a strategy for the organization's sourcing activities and being an informed buyer of eSourcing services.

Sourcing Strategy Management covers the following issues:

- Sourcing strategy: Determining the sourcing strategy of the organization, not of any particular sourced service. This process is iterative and will have inputs from sourcing history of the organization. Will help address issues like will the organization be sourcing; how to structure the sourcing; and what kind of sourcing strategy to follow in terms of single source, best source, alliance, or other forms of sourcing agreements.

An organizational vision is a prerequisite for successful, value-adding sourcing activities. The eSCM-CL assumes that the organization already has an organizational strategy or vision documented in organizational objectives. The focus of the Sourcing Strategy Management Capability Area is on ensuring that the sourcing strategy of the organization exists and is aligned with the organization's objectives and strategies.

Governance Management (gov)

These Governance Management Practices focus on establishing organizational structure for sourcing and organizational process management for sourcing processes and procedures. Although the Governance Management Capability Area is specifically focused on issues of sourcing governance, governance is a broad topic and aspects of this broad topic are covered in multiple Capability Areas. These Capability Areas (by Phase) include:

Ongoing

- Sourcing Strategy Management (str)
- Governance Management (gov)
- Relationship Management (rel)
- Organizational Change Management (ocm)
- People Management (ppl)
- Knowledge Management (knw)
- Technology Management (tch)
- Threat Management (thr)

Initiation

- Sourcing Agreements (agr)

Delivery

- Sourced Services Management (mgt)

Completion

- Sourcing Completion (cmp)

All Governance Management Practices are Ongoing. This Capability Area addresses the critical issues of ensuring the effectiveness of interactions with stakeholders; managing relationships between clients and service providers, as well as supplier and partner relationships, to ensure that commitments are met; innovating, building flexibility, and increasing responsiveness to meet

unique and evolving client requirements; being an informed buyer of eSourcing services; and actively manage sourcing risks. Governance Management covers the following issues:

- **Organizational sourcing functions:** Deals with establishing an office or capability to coordinate the organization's sourcing process.
- **Sourcing processes and procedures:** 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. Reusing process assets to improve the effectiveness of personnel and to take advantage of expert practices.
- **Aligning sourcing with the business:** Ensuring alignment of sourced services with the client organization's strategy and architecture. Addresses issues related to aligning sourcing with the technology strategy, control of technology architecture and design, and future technology direction for the client organization.

Relationship Management (rel)

These 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. This Capability Area primarily addresses the critical issues of managing stakeholder expectations, establishing and maintaining trust and ensuring the effectiveness of interactions with stakeholders, managing relationships between clients and service providers, managing the cultural differences between stakeholders, and monitoring and managing the client's and end-users' satisfaction. This Capability Area also addresses innovating, building flexibility, increasing responsiveness, establishing well-defined agreements with stakeholders, and maintaining a competitive advantage. Relationship Management covers the following issues:

- **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 relationships with 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 Life-cycle.

Value Management (val)

These Value Management Practices focus 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. All Value Management Practices are Ongoing. This Capability Area addresses the critical issues of establishing a strategy for the organization's sourcing activities, by reviewing and evaluating sourcing performance and alignment. It also addresses maintaining a competitive advantage and innovating, building flexibility, and increasing responsiveness to meet unique and evolving client requirements.

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, which is covered here in Value Management. The Value Management Capability Area covers the following issues:

- Reviewing and analyzing sourcing performance: Reviewing the business requirements against market benchmarks by benchmarking the 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 on-going 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.

Organizational Change Management (ocm)

These Organizational Change Management Practices focus 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. 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. This Capability Area primarily addresses the critical issues of establishing and maintaining trust with stakeholders, managing stakeholder expectations, and ensuring the effectiveness of interactions with stakeholders, and monitoring and managing clients' and end-users' satisfaction. It also addresses the issues of managing cultural differences between stakeholders; managing employee satisfaction, motivation, and retention; and establishing and maintaining an effective work environment. Organizational Change Management can also address issues of maintaining a competitive advantage, smoothly transferring services and resources, and maintaining continuity of the service delivery. Organizational Change Management covers the following issues:

- Planning for change management: Preparing for the change management process 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.
- Designing 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

reorganization and realignment of staff and 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.

People Management (ppl)

These 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. This Capability Area addresses the critical issues of building and maintaining the competencies that enable personnel to effectively perform their roles and responsibilities and managing employee satisfaction, motivation, and retention. People Management covers the following issues:

- 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.

Knowledge Management (knw)

These 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. This Capability Area addresses the critical issues of capturing and using knowledge, and monitoring and controlling activities to consistently meet service delivery commitments. It also addresses the issues of establishing and maintaining an effective work environment, capturing and transferring knowledge gained to the client during Completion, and measuring and analyzing the reasons for termination, to prevent reoccurrence. Knowledge Management covers the following issues:

- 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.

Technology Management (tch)

These Technology Management Practices focus on monitoring and managing the technology infrastructure. These Practices focus on issues related to integration of the client's technology

infrastructure with the service provider's, as well as change management of the technology base. All Technology Management Practices are Ongoing. This Capability Area addresses the critical issue of managing rapid technological shifts and maintaining technology availability, reliability, accessibility, and security. It also addresses innovating, building flexibility, and increasing responsiveness, and maintaining a competitive advantage. Technology Management covers the following issues:

- 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.

Threat Management (thr)

These 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. This Capability Area addresses the critical issues of actively manage sourcing risks, paying particular attention to the risks associated with security, confidentiality, privacy, infrastructure, and disasters that may disrupt service or fail to meet the requirements of the client organization; managing clients' security; and ensuring compliance with statutory and regulatory requirements. It also addresses maintaining the continuity of service delivery, managing rapid technological shifts, and maintaining the availability, reliability, accessibility, and security of the technology. Threat Management covers the following issues:

- 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.

Sourcing Opportunity Analysis (opa)

These 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. This Capability Area addresses the critical issues of being an informed buyer of eSourcing services and translating implicit and explicit needs into defined requirements with agreed-upon levels of quality. It also addresses the issues of maintaining a competitive advantage, innovating, building flexibility, and increasing responsiveness to meet unique and evolving client requirements. Sourcing Opportunity Analysis covers the following issues:

- 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 external supplier relationship, and aligning sourcing decisions with performance and business needs.

These Practices will help identify the preliminary potential sourcing scope in terms of resources, activities or functions, geographies involved, etc.

Sourcing Approach (app)

These 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. This Capability Area addresses the critical issues of being an informed buyer of eSourcing services and actively managing sourcing risks. It also addresses the issue of translating implicit and explicit needs into defined requirements with agreed-upon levels of quality. Sourcing Approach covers the following issues:

- 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.
- Business case: Preparing a business case for sourcing which includes carrying out a cost-benefit analysis and determining stakeholder buy-in.
- 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.

Sourcing Planning (pln)

These Sourcing Planning Practices focus on planning for implementation of the sourcing approach for a planned sourcing initiative. 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 CA include capacity planning, identifying the in-house skill-set, identifying the need for third party assistance, and setting up the processes for service provider selection and establishing agreements. Other important issues, which this CA will deal with, are: preparation of Service(s) Requirements Document or Service(s) 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. This Capability Area addresses the critical issues of being an informed buyer of

eSourcing services and actively managing sourcing risks. It also addresses the issues of translating implicit and explicit needs into the defined requirements and establishing well-defined agreements with stakeholders. By establishing the operational governance mechanisms for each engagement, this Capability Area also addresses establishing and maintaining an effective work environment. Sourcing Planning covers the following issues:

- Sourcing project: Establishing a capability to plan and manage the sourced service. Getting all the resources, including manpower, ready to execute the sourcing agreement.
- Plan sourcing: Developing a sourcing plan for a planned sourcing activity.
- Define requirements and agreement: Developing the Service(s) Requirements Document or Service(s) Definitions Document, and having the basic structure of the agreement in place. Developing any documentation needed to communicate the client's inquiries, requests, and requirements to prospective service providers.

Service Provider Evaluation (spe)

These Service 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 Service Provider Evaluation Practices are in the Initiation phase of the Sourcing Life-cycle. This Capability Area addresses the critical issues of being an informed buyer of eSourcing services and actively managing sourcing risks. It also addresses the issues of translating implicit and explicit needs into the defined requirements and establishing well-defined agreements with stakeholders. It also addresses maintaining competitive advantage. Service Provider Evaluation covers the following issues:

- Service provider selection: Soliciting, evaluating, and selecting potential service providers.

Sourcing Agreements (agr)

These 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. This Capability Area addresses the critical issues of being an informed buyer of eSourcing services and actively managing sourcing risks. It also addresses the issues of translating implicit and explicit needs into the defined requirements and establishing well-defined agreements with stakeholders. It also addresses maintaining competitive advantage. Sourcing Agreements covers the following issues:

- 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 articulates the clients' and service provider's responsibilities and commitments.

Service Transfer (tfr)

These 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. This Capability Area addresses the critical issues of smoothly transferring services and resources. It also addresses reviewing service design and deployment to ensure adequate coverage of the requirements, and maintaining continuity of service delivery. Service Transfer covers the following issues:

- **Manage service transfer:** Planning and managing the service transfer.
- **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.

Sourced Services Management (mgt)

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. This Capability Area addresses the critical issues of monitoring and controlling activities to consistently meet service delivery commitments, and maintaining continuity of service delivery. It also addresses establishing well-defined agreements with stakeholders; managing relationships between clients and service providers, as well as supplier and partner relationships, to ensure that commitments are met; translating implicit and explicit needs into defined requirements with agreed-upon levels of quality; and maintaining a competitive advantage. Sourced Services Management Practices address multiple aspects of the ongoing governance of the sourced service and relationship with the service provider:

- **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 to those in the Relationship Management CA 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 the decision about renewal, termination, or exploring new sourcing options.

Sourcing Completion (cmp)

These Sourcing Completion Practices focus on planning and making provisions for the closure of the relationship/project and ensuring that the hand off is smooth. All Sourcing Completion Practices are in the Completion phase of the Sourcing Life-cycle. This Capability Area addresses the critical issues of smoothly transferring services and resources, and capturing and transferring the knowledge gained during the engagement to the client during Completion. It also addresses maintaining continuity of service delivery, and establishing well-defined agreements with stakeholders, including clients, suppliers, and partners. Sourcing Completion covers the following issues:

- 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.

Mapping Capability Areas to Critical Issues

There are a number of issues in eSourcing that are critical to success (see “Critical Issues for eSourcing” in Chapter 2). The eSCM-CL is intended to address each of these critical issues in one or more Practices. Table 1 provides a summary of which Capability Areas contain Practices that primarily address each critical issue. In several cases, multiple Capability Areas include Practices that significantly contribute to addressing a given critical issue.

Table 1. Mapping Critical Issues to Capability Areas

CRITICAL ISSUE	CAPABILITY AREA
Establishing and maintaining trust with stakeholders.	rel, ocm
Managing stakeholder expectations.	rel, ocm
Translating implicit and explicit needs into defined requirements with agreed-upon levels of quality.	opa, app, pln, spe, agr, mgt
Establishing well-defined contracts with stakeholders, including clients, service providers, suppliers, and partners.	rel, pln, spe, agr, mgt
Reviewing service design and deployment to ensure adequate coverage of the requirements.	tfr
Ensuring the effectiveness of interactions with stakeholders.	gov, rel, ocm
Managing relationships between clients and service providers, as well as supplier and partner relationships, to ensure that commitments are met.	gov, rel, mgt
Ensuring compliance with statutory and regulatory requirements.	thr
Managing clients' security.	thr
Managing cultural differences between stakeholders.	rel, ocm
Monitoring and controlling activities to consistently meet the service delivery commitments.	knw, mgt
Monitoring and managing clients' and end-users' satisfaction.	rel, ocm
Building and maintaining the competencies that enable personnel to effectively perform their roles and responsibilities.	ppl
Managing employee satisfaction, motivation, and retention.	ocm, ppl
Establishing and maintaining an effective work environment.	ocm, knw, pln
Maintaining a competitive advantage.	rel, val, ocm, tch, opa, agr, mgt
Innovating, building flexibility, and increasing responsiveness to meet unique and evolving client requirements.	gov, rel, val, tch, opa
Managing rapid technological shifts and maintaining the availability, reliability, accessibility, and security of technology.	tch, thr
Capturing and using knowledge.	knw
Smoothly transfer services and resources.	ocm, tfr, cmp
Maintaining continuity of the service delivery.	thr, ocm, tfr, mgt, cmp
Capturing and transferring knowledge gained to the client during completion.	knw, cmp
Measuring and analyzing the reasons for termination, to prevent reoccurrence.	knw
Establishing a strategy for the organization's sourcing activities.	str, val
Being an informed buyer of eSourcing services.	str, gov, opa, app, pln, spe, agr
Actively managing sourcing risks.	gov, thr, app, pln, spe, agr

Capability Levels

The third dimension in the eSCM-CL is Capability Levels. The five Capability Levels of the eSCM-CL describe an improvement path that client organizations should expect to travel. 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.

Figure 8.
The Capability Levels
Each Capability Level is shown with the Practices associated with it displayed in a color. Note that Capability Levels 3, 4, and 5 show the previous Levels' Practices.

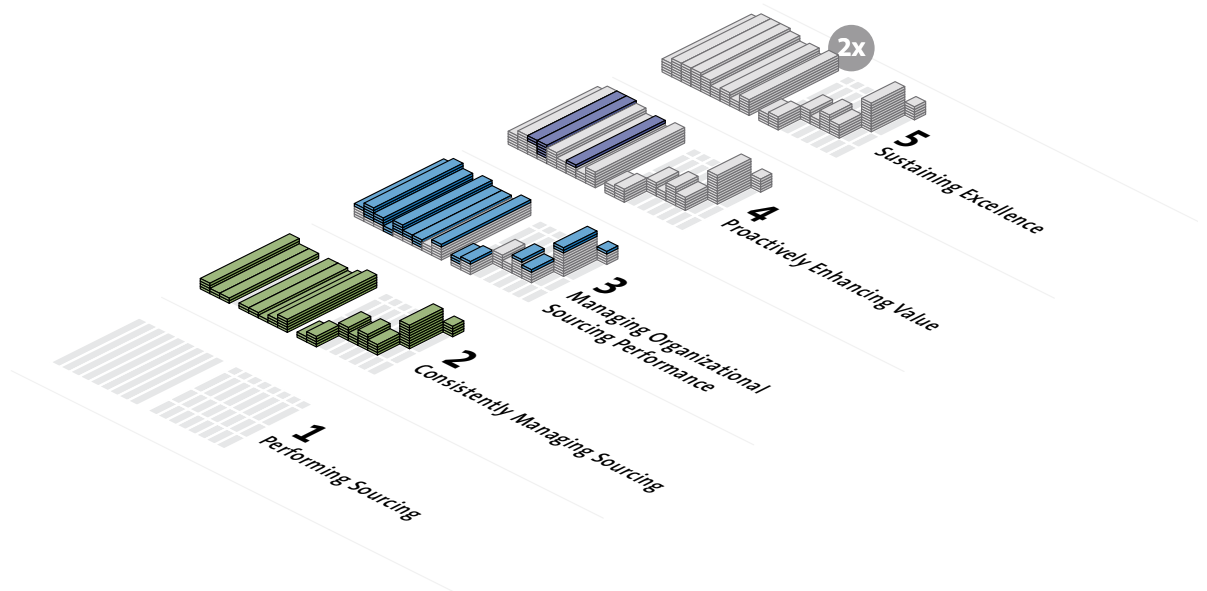


Figure 9.
Capability Level 1:
Performing Sourcing
Capability Level 1 has no Practices associated with it.

Capability Level 1: Performing Sourcing

The capabilities of Level 1 client organizations vary 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 failure because they may not have realistic expectations, a readiness for managing the change or the sourcing activities, and may not be prepared to manage their sourced services or to align their sourcing activities 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 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.

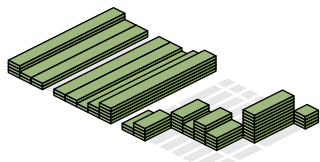


Figure 10.
Capability Level 2:
Consistently Managing Sourcing
Capability Level 2 has 58 Practices, distributed throughout the Sourcing Life-cycle.

Capability Level 2: Consistently Managing Sourcing

Client organizations at Capability Level 2 have formalized procedures for managing their sourcing activities. These client organizations are able to manage sourcing activities, but may not do so in the same manner across the entire organization. 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. Level 2 client organizations have implemented all of the Capability Level 2 Practices and can demonstrate their effective usage.

Capability Level 3: Managing Organizational Sourcing Performance

Client organizations at Capability Level 3 are able to manage their sourcing activities according to an organizational strategy. At Capability Level 3, the client organization is able to manage its 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.

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 improvement with respect to organizational objectives, consistent with the organization's sourcing strategy. Organizational learning improves performance with respect to organizational objectives, sourcing strategy, and across engagements. Level 3 client organizations have effectively implemented all of the Capability Level 2 and 3 Practices.

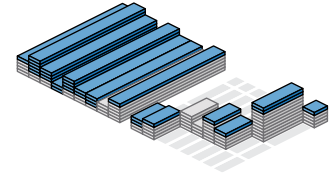


Figure 11.
Capability Level 3:
Managing Organizational
Sourcing Performance
Capability Level 3 has 29 Practices.
To achieve Capability Level 3, a
client organization must implement
all Capability Level 2 and 3 Practices.

Capability Level 4: Proactively Enhancing Value

Client organizations at Capability Level 4 are able to continuously innovate to add statistically and practically significant value to the sourcing management activities of the organization. At 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. Level 4 client organizations systematically plan, implement, and control their own improvement, typically generating these plans from their own performance benchmarks and value analyses. They have effectively implemented all of the Capability Level 2, 3, and 4 Practices.

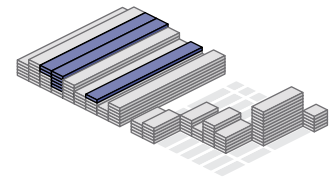


Figure 12.
Capability Level 4:
Proactively Enhancing Value
Capability Level 4 has 8 Practices.
To achieve Level 4, a client
organization must implement all
Capability Level 2, 3, and 4 Practices.

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 ninety-five Capability Level 2, 3, and 4 Practices for two or more consecutive Full Evaluations for Certification covering a period of at least two years. There are no additional Practices required to reach Capability Level 5; effective, continued implementation of all the eSCM-CL Practices in a rapidly changing environment shows an ability to sustain excellence in its sourcing activities throughout the client organization over time.

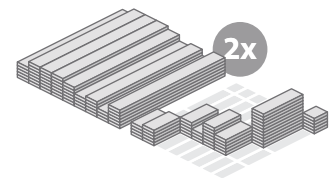


Figure 13.
Capability Level 5:
Sustaining Excellence
Capability Level 5 has no new
Practices associated with it.
Achieving Capability Level 5
requires sustained implementation
of all 95 Practices by a client
organization over the course of
two consecutive Evaluations for
Certification.

The eSCM-CL Focus by Capability Level

Each of the Capability Levels in the eSCM-CL focuses on a particular aspect of sourcing and organizational management, with higher capabilities required at higher levels.

For client organizations, Capability Level 2 focuses on managing the sourcing activities for each engagement. Capability Level 3 uses capabilities in organizational management, and takes advantage of information from performance, stakeholder inputs and feedback, and strategic analyses, to improve the quality and effectiveness of sourcing management across the sourcing activities within the client organization. Capability Level 4 adds a focus on using innovation and producing value to proactively enhance sourcing management results.

With respect to organizational management, Capability Level 2 primarily focuses on effectively managing single sourcing engagements to meet the identified sourcing objectives and client needs. Capability Level 3 expands on this to focus on effective management across sourcing engagements to achieve long-term organizational objectives and satisfy the organization's sourcing strategy. This focus also results in the organization's ability to take advantage of its experience gained from each sourcing engagement for use across a portfolio of sourced services. Capability Level 4 further expands this focus to managing sourcing using data from both internal and external sources, including statistical management using capability baselines and benchmarking, and improving performance by applying innovation and organizational learning across the organization.

Table 2. The eSCM-CL focus by Capability Level

	CAPABILITY LEVEL 2	CAPABILITY LEVEL 3	CAPABILITY LEVEL 4
LEVEL NAME	Consistently managing sourcing	Managing organizational sourcing performance	Proactively enhancing value
BENEFIT TO CLIENT ORGANIZATIONS	Sourcing activities are planned and managed. Requirements are consistently understood and met.	Meet organizational objectives and comply with sourcing strategy by measuring and optimizing performance across sourced services.	Meet organizational objectives by systematically innovating and establishing programs to measure and optimize sourcing performance compared to the industry. Ensure business value is achieved through sourcing.
BENEFIT TO SERVICE PROVIDERS	Client requirements form basis of defining success. Client organization exercises consistent governance.	Consistent sourcing process across engagements with the client organization. Client deploys sourcing competency across their sourced services.	Client focus on value, innovation, and collaborative win-win relationships.
ORGANIZATION SIZE	One or more sourced services.	Two or more sourced services under one management structure.	Two or more sourced services under one management structure.

CHAPTER 4

Using the eSCM-CL



The 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 sourcing capability. The Model offers guidance to client organizations that will help them improve their sourcing capabilities across the Sourcing Life-cycle. It provides clients with an objective, consistent means of evaluating the capability of the sourcing activities of their organization.

Implementing the eSCM-CL

Client organizations can use the eSCM-CL to guide their internal improvement activities. These can range from a reengineering and reinvention of their overall sourcing process to targeted, focused improvements in one area of capability.

There are two major strategies for improvement of a client organization: framework-based and measurement-based. The eSCM-CL has features of both. A framework-based strategy uses models and standards as frameworks to identify what processes and systems should be implemented in a successful organization. Improvement based on the eSCM-CL is an example of this strategy. Certification in some framework-based strategies, including ISO 9001, is binary; an organization is either compliant with the standard or not. Models such as the eSCM-CL measure organizations or processes using a form of ordinal scale (e.g., maturity levels or capability levels). Assessments using a framework identify what to do, but do not usually describe how to do it. Frameworks typically do not specify performance levels for specific tasks (e.g., 5500 transactions per quarter).

The second strategy is measurement-based. The client organization's processes and systems are measured and compared to objectives set by management in order to identify which ones need to be improved. Measurement trends are used to confirm and quantify improvements.

Framework-based strategies include measurement components: establishing objectives, planning how to achieve those objectives, measuring their effectiveness and efficiency, and taking corrective and/or preventive action. The eSCM-CL includes Practices that cover all of these measurement components.

Although frameworks such as the eSCM-CL focus on what processes and systems should be in place, a measurement system that supports management by fact is integral to building more capable organizations. Framework-based strategies naturally evolve toward measurement-based strategies tailored to the business needs of the organization as the foundational capabilities described by the framework are successfully put in place. Measurement in the eSCM-CL is discussed in Chapter 8.

A continuous improvement cycle is a critical part of any improvement strategy, and includes six steps: (1) identify the need for change, (2) establish sponsorship for improvement, (3) diagnose problems and opportunities for improvement, (4) act on the diagnosis, (5) monitor the results, and (6) loop back to continue the improvement cycle.

Although the eSCM-CL does not explicitly describe a continuing improvement cycle, both the framework-based and measurement-based strategies operate within the context of the cycle.

Examples of the continuing improvement cycle include the PDCA (Plan-Do-Check-Act) [Deming 1986, Deming 1994] and IDEALSM (Initiating, Diagnosing, Establishing, Acting & Learning) [McFeeley 1996] cycles. Client organizations may employ a number of improvement frameworks (the eSCM-CL, for example) as they implement a continuing improvement cycle. The Practices of the eSCM-CL support the planning, review, and improvement activities central to a continuing improvement cycle.

Many factors may affect the success of improvements. Research [El Emam 1999] indicates that the most important factors include the following:

- management's commitment to and support of the improvement of the processes,
- involvement of the organization's staff in the process improvement effort,
- the staff's understanding of the current processes and their relationships to other business activities,
- clear process improvement goals that are understood by the staff,
- customization of the improvement initiatives, and
- a respected process-improvement staff.

Successful improvement based on the eSCM-CL must be driven by the business objectives of the client organization, not simply by a desire to be certified using the Model. By explicitly basing an organization's improvement actions on its business objectives, senior management is able to maintain consistent sponsorship of the improvement initiative. The client organization can maintain a tactical focus on its near-term business needs by treating the improvement process as a project (that is, measuring its progress and using management-by-fact to control the improvement). Both strategic vision and tactical actions are needed to stay the course of continuous improvement.

Other frameworks used by the organization may impact the improvement actions based on the eSCM-CL. These frameworks may include performance excellence strategies such as Six Sigma [Harry 2000]; quality awards, such as the Deming Prize in Japan [Deming], the Malcolm Baldrige National Quality Award in the United States [Baldrige], and the EFQM Excellence Award [EFQM]; quality standards, such as ISO 9001 (Quality Management Systems-Requirements) [ISO9001 2000]; controls and security standards, such as Control Objectives for Information and related Technology (COBIT) [COBIT 2000] or ISO 17799 (Information Security Management Systems—Code of Practice for Information Security Management) [ISO 17799 2000]; risk management guidance, such as the Australian HB 240:2000 [HB 240:2000 2000], service management standards such as ITIL [ITIL] or BS 15000 (IT Service Management) [BSI 2002, BSI 2003]; or workforce development approaches, such as the People CMM [Curtis 2001]. At this writing, there are no known conceptual conflicts between eSCM-CL and the frameworks listed above, although there are significant differences in scope and detail.

By focusing on its business objectives, the organization can leverage its existing work on other improvement initiatives, allowing it to develop an integrated improvement strategy that incorporates its improvement activities focused on sourcing with other ongoing organizational improvement activities. Understanding the relationships between the eSCM-CL and other related models and standards can help the organization to complement or supplement its eSCM-CL implementation strategy.

Evaluating the Sourcing Capability of Client Organizations

The eSCM-CL is accompanied by Self-Appraisal and Evaluation methods to identify, analyze, and support improvement of organizational capabilities. This set of Capability Determination methods has been developed to rigorously diagnose the capabilities of a client organization. Diagnosis of a client organization's capabilities assures senior management, internal stakeholders, and, potentially, service providers that the client organization has an appropriate set of capabilities in place to meet its sourcing commitments and attain its strategic sourcing goals. Client organizations, as well as potentially their service providers, can also use the results of the diagnosis to understand the risks associated with working with a particular client organization. The client organization should use the results of the diagnosis to address problems and guide improvement actions.

The following paragraphs introduce these Capability Determination methods, which are more fully described in Chapter 5, "Capability Determination Methods & Certification."

Self-Appraisal

The eSCM-based Capability Determination methods allow client organizations to understand their current capabilities and define targets for improvement. They aid in the identification of strengths, areas for improvement and associated risks, during the analysis, planning, formation, management, and completion of sourcing relationships. Diagnosis of a client organization's sourcing capabilities assures the client organization that it has an appropriate set of capabilities in place to meet its commitments with regards to performing its sourcing activities. The client organization may use the results of the diagnosis to address problems identified and to guide improvement actions. Client organizations and their service providers, if the client chooses to release results to their service providers, can also use the results of the diagnosis to understand the risks associated with working with a particular client.

Self-appraisal teams may be composed of individuals from the organization, from an external third party, or a combination of these. Capability Determination teams, comprised of Evaluators trained and authorized by Carnegie Mellon University, can conduct an appraisal of client organizations to provide the organization with an objective examination of its strengths and opportunities for improvement. These appraisals will not result in certification of the client organization.

Evaluation

Evaluation processes support those client organizations who wish to have a diagnosis of their sourcing capabilities performed by an external third party. The eSCM Capability Determination Method allows clients to have a third party provide an impartial, objective examination of their sourcing management practices, evaluated with respect to a respected, external benchmark - the best practices of the eSCM for Client Organizations. The Evaluation Method guides the analysis of the clients' strengths, areas for improvement, and associated risks by measuring the extent of implementation and institutionalization of the Practices.

Evaluators, trained and authorized by Carnegie Mellon University, are available to conduct Evaluations of client organizations, if the organization so desires. An evaluation process is in place for those client organizations who wish to pursue formal certification of their sourcing capabilities. For an Evaluation for Certification, after a rigorous review of the evaluation data, Carnegie Mellon will issue a Certificate of Capability to qualified client organizations.

CHAPTER 5

Capability Determination Methods & Certification



Organizations who are undertaking a model-based improvement program will frequently want to use a formal assessment method to gauge their progress with respect to the requirements of the model. Assessments and improvement programs may be driven by internal business objectives or marketplace demands, e.g., requirements for enhanced sourcing capabilities. Formal methods can help organizations identify gaps to help set improvement priorities. They can be used to identify competitive advantages by comparing an organization with other organizations, either external or internal, who have implemented the model. Formal methods can also be used to provide public verification of an organization's capability.

ITSqc has defined a set of Capability Determination methods that can support these various needs. There are five different Capability Determinations which can be used to systematically analyze evidence of the organization's implementation of the eSCM-CL Practices. They are used to objectively determine current capabilities relative to the eSCM-CL and to identify targets for future improvement. The methods also provide a consistent way for senior management and internal stakeholders to evaluate their organization's current sourcing capability or to allow service providers to better understand the risks and potential issues in dealing with a client organization, if the client organization's capability information is made available to service providers. Information from a determination may be used to assess risks and provide decision inputs.

Types of Determination Methods

The five Capability Determination methods are (1) Full Self-appraisal; (2) Mini Self-appraisal; (3) Full Evaluation; (4) Mini Evaluation; and (5) Full Evaluation for Certification. The determination process for these five methods is very similar and uses the same kinds of evidence, but each is tailored to meet different needs. The main differences include purpose and outcome, who conducts them, who leads them, and the scope of the eSCM-CL that is addressed. Table 3 summarizes the five eSCM Capability Determination methods.

The *Full Self-appraisal* is a full appraisal using all of the eSCM-CL Practices that does not result in certification. It supports capability improvement in a client organization by comparing performance with eSCM-CL requirements and indicating gaps that need to be addressed. It may also be used to prepare for a Full Evaluation for Certification. Members of the appraisal team may be either internal or external to the client organization, or a combination. It is required that a candidate or an Authorized Lead Evaluator head the appraisal to provide the necessary understanding of both the Model and this Capability Determination method. Authorized Lead Evaluators are individuals who have successfully completed the required training and mentoring program needed to lead Capability Determination teams. The focus of this method is to identify areas of improvement based on the eSCM-CL. Results of this method include ratings and observations for every Practice in the eSCM-CL, providing an analysis of the gap between the Practices and the provider's implementation of them. Results of Full Self-appraisals are provided to the client organization and to the ITSqc.

The *Mini Self-appraisal* is an appraisal, usually addressing a subset of the eSCM-CL Practices, that does not result in certification. It is used to rapidly and economically check the status of the client organization's improvement efforts. It can also be used as a means of determining gaps between actual and desired capabilities, and for initiating improvement efforts to address those gaps using the eSCM-CL. A Mini Self-appraisal is typically sponsored by the client organization and must be led by a candidate or an Authorized Lead Evaluator. Members of the appraisal team may be either internal or external to the client organization, or a combination. The Model scope of a Mini Self-appraisal is usually limited to a subset of Practices in the eSCM-CL (e.g., the Practices for one Capability Level of the Model or for one Capability Area or focused on one particular area of concern). Results are provided to the client organization, sponsor, and to the ITSqc.

Table 3. Capability Determination Methods

		SELF-APPRAISAL	EVALUATION	EVALUATION FOR CERTIFICATION
FULL	PURPOSE	To launch or check progress in an improvement effort; to create a baseline, or provide a readiness check to prepare for certification	To provide an independent verification of Model implementation	To differentiate by an independently verified and published Capability Level rating
	OUTCOME	Practice profile is provided to the organization, sponsor and ITSqc; No Capability Level rating or certification by the ITSqc	Practice profile is provided to the organization, sponsor and ITSqc; No Capability Level rating or certification by the ITSqc	Certification by ITSqc of a Capability Level rating; Practice profile is provided to the organization, sponsor and ITSqc
	TEAM	Internal, external, or combination; All must be trained in the Model and Method	External; All must be authorized by ITSqc	External; All must be authorized by ITSqc
	DETERMINATION TEAM LEADER	Must be a candidate or Authorized Lead Evaluator	Authorized Lead Evaluator required	Authorized Lead Evaluator required
	SPONSOR	Service provider or client	Service provider or client	Service provider or client
	MODEL SCOPE	All Practices	All Practices	All Practices
MINI	PURPOSE	To launch or check progress in an improvement effort	To rapidly, economically, and independently verify capability of a subset of Practices	
	OUTCOME	Practice profile is provided to the organization, sponsor and ITSqc; No Capability Level rating or certification is assigned by the ITSqc	Practice profile is provided to the organization, sponsor and ITSqc; No Capability Level rating or certification is assigned by the ITSqc	
	TEAM	Internal, external, or combination; All must be trained in the Model and Method	External; All must be authorized by ITSqc	
	DETERMINATION TEAM LEADER	Must be a candidate or Authorized Lead Evaluator	Authorized Lead Evaluator required	
	SPONSOR	Service provider or client	Service provider or client	
	MODEL SCOPE	Any subset of Practices	Any subset of Practices	

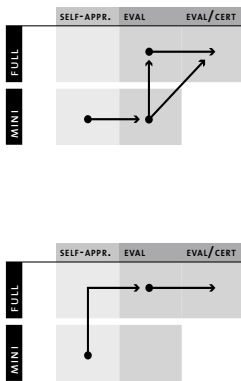


Figure 14.

Potential paths to Certification
Both paths to certification begin with a Mini Self-appraisal as a gap analysis, and end with a Full Evaluation for Certification. One path does this via a Full Self-appraisal, while the other does it via a Mini Evaluation.

The *Full Evaluation* is a third-party external evaluation of a client organization's capability that does not lead to certification by the ITSqc. It should be used when a client organization needs an external validation of its sourcing capabilities, but does not need certification. It is based on evidence of the client organization's implementation of all the Practices in the eSCM-CL, and can be sponsored by the client organization or its service provider(s). Members of the evaluation team must be trained and authorized by Carnegie Mellon to perform external evaluations of client organizations. An Authorized Lead Evaluator must head the evaluation effort. Results of Full Evaluations are provided to the client organization, the sponsor, if different from the client organization, and the ITSqc.

The *Mini Evaluation* is a third-party external evaluation of a client organization's capability, usually addressing a subset of the Practices in the eSCM-CL, and does not result in certification. It is used to rapidly and economically determine an organization's capability to source IT-enabled services. This method provides a consistent means of checking the status and progress of various capability improvement efforts in a client organization. A Mini Evaluation is sponsored by the client organization or by its service provider(s). Mini Evaluations may also be used by clients to verify client organization capabilities as part of preparations to perform a service provider selection. Members of the evaluation team must be trained by ITSqc and authorized to perform external evaluations of client organizations. An Authorized Lead Evaluator must head the evaluation effort. The Model scope of a Mini Evaluation is usually limited to a subset of Practices in the eSCM-CL (e.g., the Practices for one Capability Level of the Model or for one Capability Area or focused on one particular area of concern). Results are provided to the client organization, sponsor, if different from the client organization, and the ITSqc.

The *Full Evaluation for Certification* is a third-party external evaluation of a client organization's capability. It is the only Capability Determination method that can lead to certification by the ITSqc, and should be used when an organization wants a public record of its capabilities. It is based on evidence of the client organization's implementation of all 95 Practices in the eSCM-CL, and is sponsored by the client organization or its service provider(s). Members of the evaluation team must be trained and authorized by ITSqc to perform external evaluations of client organizations. An Authorized Lead Evaluator must head the evaluation effort. The evaluation data is rigorously reviewed by a certification board at ITSqc and, when warranted, results in certification by ITSqc of the client organization's capability. The certificate is issued with a Capability Level and a Capability Profile as well as a final report with ratings and observations about each Practice and Capability Area indicating strengths and areas for improvement. Results of Full Evaluations for certification are provided to the client organization, the sponsor, if different from the client organization, and the ITSqc. Unless otherwise specified by the sponsor, the certification level, summary of the coverage of the client organization, and any rating exceptions of the evaluation are published on the ITSqc website (<http://itsqc.cmu.edu>).

An organization is likely to use more than one Capability Determination method during the course of its improvement program. The following paragraphs describe two typical paths, as shown in Figure 14, for organizations pursuing adoption of the eSCM-CL and subsequent certification. Each of these paths starts with a Mini Self-appraisal. Other starting points are also appropriate and should be driven by the improvement and certification goals of the organization.

For the first path, the client organization launches its eSCM-CL improvement effort by conducting a Mini Self-appraisal as a gap analysis. The organization may limit the Model scope to the

Capability Level it wants to achieve, or to the Practices that the organization knows it would like to improve. This analysis identifies any eSCM-CL requirements that are not being met and helps the organization to prioritize improvement efforts.

After improvement efforts are well established, the client organization may sponsor a Full Self-appraisal. This is used to determine whether the client organization is fully prepared for certification. Once any identified gaps found in the Self-appraisal are addressed, the organization is ready to undergo a Full Evaluation for Certification. Some organizations will choose to conduct a Full Evaluation to obtain an external view of compliance before progressing to a Full Evaluation for Certification.

Other organizations may need an external impetus to develop an understanding of their current sourcing processes and their relationships to other business activities, and to gain management buy-in for beginning or sustaining improvement of their sourcing activities. These organizations may choose, along this first path to improvement, to conduct a Full Evaluation as a first step in their improvement journey. This allows an external Capability Determination team to examine the sourcing activities of the client organization and provide an objective, external view of strengths and opportunities for improvement, relative to the eSCM-CL, that allows the organization to unfreeze its current practices and begin to put improvements in place.

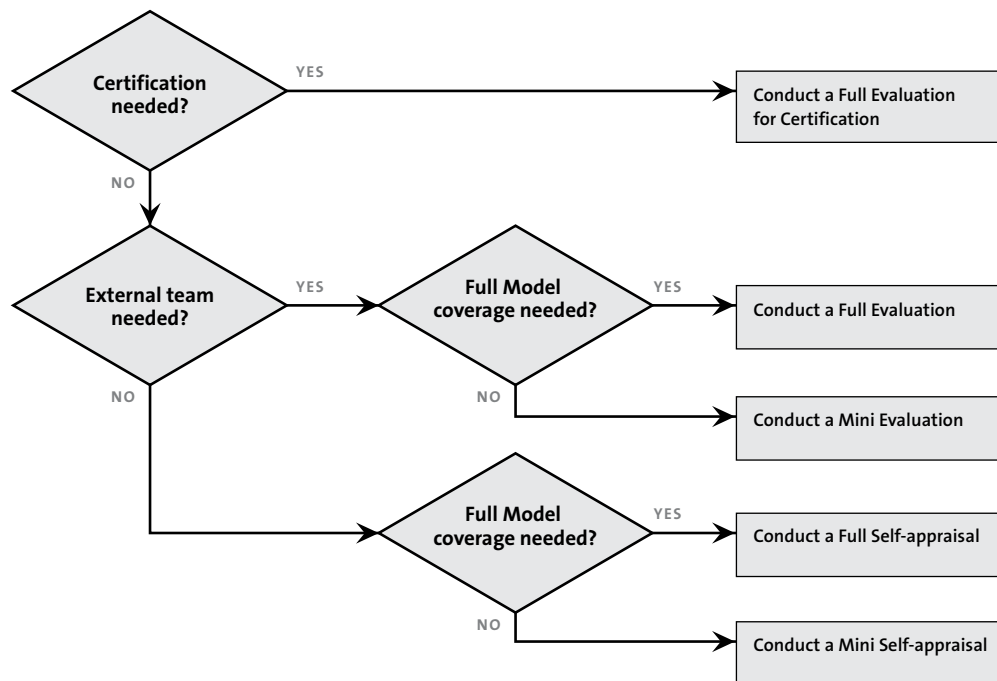
For the second path, the client organization also launches its eSCM-CL improvement effort with a Mini Self-appraisal to provide the client organization with the gap analysis described above. After improvement efforts are well established, the client organization may sponsor a Mini Evaluation as a means to provide objective, external evidence of their eSCM-CL capabilities. The scope of the Mini Evaluation is typically then set to encompass the Practices at the desired level of certification. For instance, if the organization is pursuing Capability Level 2 certification, the Mini Evaluation looks at Capability Level 2 Practices. The Mini Evaluation allows the client organization to demonstrate their compliance with specific parts of the eSCM-CL, prior to a Full Evaluation or a Full Evaluation for Certification. It is used to determine whether the client organization is fully prepared for certification. Once any identified gaps found in the Mini Evaluation are addressed, the organization is ready to undergo a Full Evaluation for Certification. Some organizations will choose to conduct a Full Evaluation to obtain an external view of compliance before progressing to a Full Evaluation for Certification. Not all client organizations will choose to conduct a Full Evaluation for Certification; some client organizations may not choose to seek certification.

The following decision tree, Figure 15, is provided as guidance in helping to decide what path to follow and which of the five Capability Determination methods will be the most appropriate choice for your organization. When making this decision, an Authorized Lead Evaluator can help you understand the options and implications of the choice.

The Capability Determination Process

The process for all of the Capability Determination methods is composed of three major parts: (1) preparing for a determination, (2) gathering and analyzing evidence, and (3) reporting results. The breakdown of these parts is shown at a high level in Figure 16. The details of this method are published separately in a Capability Determination Team Member Guide, which is available to individuals who have completed ITSqc training in the Capability Determinations methods. It is summarized here for reference.

Figure 15.
Decision Tree for type of
Capability Determination
Starting with identifying a need for
certification, an organization also
needs to consider the need for an
internal vs. an external team, and
the need for full or partial Model
coverage.



Preparing for a Determination

Whether a client organization or its service provider requests a Capability Determination, a Sponsor will be identified who will contact an Authorized Lead Evaluator to arrange for the determination. If the Sponsor is a service provider, the client organization will need to identify a Senior Site Manager as a primary management point of contact for each site being reviewed.

The Lead Evaluator will work with the Sponsor to understand the requirements for the determination. The organization will be asked to complete an Organizational Questionnaire which provides basic information, such as the organization's locations, number of personnel, and organization chart. The Lead Evaluator will work with the Sponsor to confirm the span of the organization to be covered (for example, which sites and services will be reviewed) as well as how much of the eSCM-CL will be covered. Full Evaluations and Full Self-appraisals will cover all 95 Practices in the eSCM-CL.

The organization will identify Site Coordinators who will be responsible for logistics, such as arranging working space and access to documents, as well as overall coordination, such as arranging access to senior management personnel and helping to resolve issues. Often, separate Site Coordinators are assigned for each physical site that will be covered during the determination. The coordination tasks may also be divided between a Site Logistics Coordinator (responsible for assisting the Capability Determination team with site access, workspaces, meeting rooms, and equipment) and a Site Determination Coordinator (responsible for providing planning information to the Lead Evaluator, arranging access to senior managers, and mapping the organization's documents to the Model activities).

Finally, the Lead Evaluator will prepare an initial determination plan for review and approval by the Sponsor. The plan describes the agreed scope and objectives of the determination as well as

the detailed schedule. For a Full Evaluation for Certification, this plan will be approved by ITSqc and sampling determined by ITSqc based on this plan. After the plan is agreed upon, the Lead Evaluator will begin assembling the Capability Determination team and will select personnel from the organization to complete a Capability Questionnaire. Personnel are selected to represent each key function and engagement as well as a combination of managerial and non-managerial roles. The questionnaire is administered in one or more sessions with the Determination Team Leader and one other team member present. It contains a series of questions used to understand the organization's implementation of the 95 eSCM-CL Practices. The questionnaire is used by the Determination Team Leader to assist in planning interviews, to identify documents to review, and to get an initial understanding of the degree to which the organization has successfully implemented the eSCM-CL Practices.

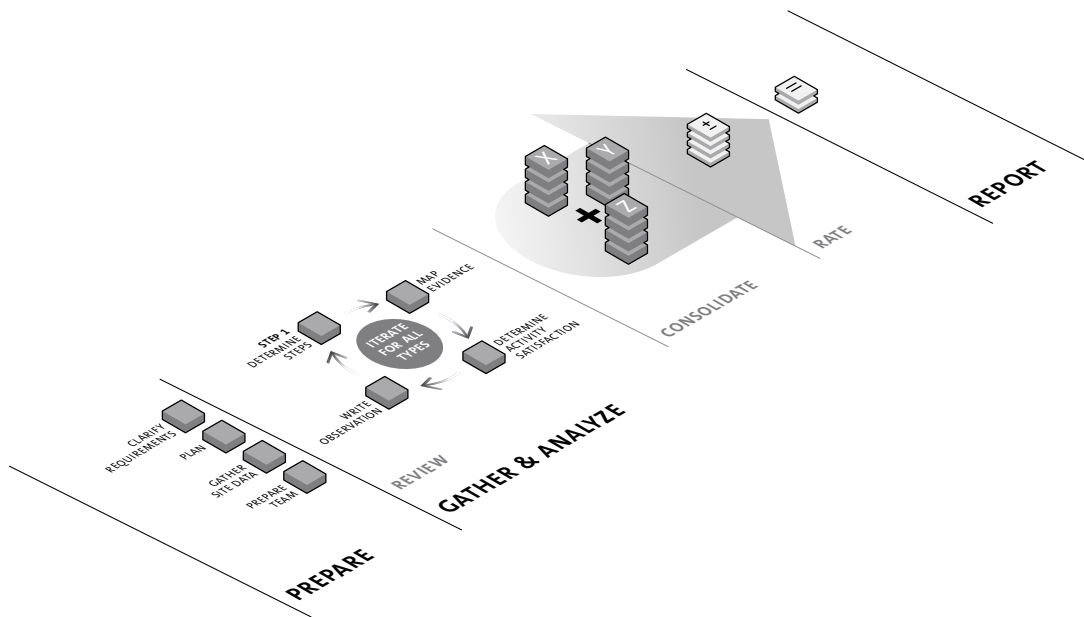


Figure 16.
Capability Determination flow
This figure provides an overview of the flow of the tasks in a Capability Determination, roughly following the sequence of tasks in the order they are typically performed during a Capability Determination.

Gathering & Analyzing Evidence

The primary work of the Capability Determination is conducted on-site with the Capability Determination team gathering and analyzing site data. There are primarily three types of data that are analyzed: (1) documentation; (2) interviews; (3) implementation.

Documentation reviews look at a combination of guidance documents (e.g., policies, procedures, templates) as well as artifacts (e.g., reports, plans, meeting minutes). The Capability Determination team reviews these documents to determine whether the organization has all documentation required by the eSCM-CL. The documentation is also reviewed to provide evidence that the organization is performing all of the Activities required by the Model.

Interviews are conducted for a small number of personnel, typically in the range of 20 to 40 people, depending on the Model scope and organizational span included in the determination. Frequently, interviewees are selected from the set of personnel who have completed Capability Questionnaires. Interviewees will be selected to represent key functions and sourced services, as well as a combination of managerial and non-managerial roles. Interviews will typically take 45 to 60 minutes where

the interviewee will attend a session with a minimum of three Capability Determination team members: a lead interviewer and two note takers. Confidentiality is maintained and answers given in the interview will never be attributed back to the individual being interviewed.

Implementation reviews look for additional evidence that demonstrate the organization is performing all of the Activities required by the eSCM-CL. Besides artifacts, the Capability Determination team may arrange for demonstrations or unobtrusive observations. Demonstrations will typically focus on a particular tool, where one or more people from the organization demonstrate its use. Unobtrusive observations take place when the Capability Determination team spends time observing personnel conducting their day-to-day work. Observations of sourcing activities are typically only performed in environments where they can be easily observed. Some activities may be more difficult or less meaningful to directly observe, however certain regular events (e.g. coordination or status meetings) may be appropriate to observe.

Throughout the data collection period, the Capability Determination team maps evidence back to the eSCM-CL and makes judgments about whether the eSCM-CL requirements are being satisfied. At the end of the data collection period, the Capability Determination team must achieve team consensus on those judgments and use them as the basis for reporting results back to the organization and sponsor. The Capability Determination methods also provide a set of rules for how much evidence must exist in order to make a final decision about whether an eSCM-CL requirement is met. As part of this consolidation and analysis process, the Capability Determination team must also ensure that all the rules of evidence in the Capability Determination methods have been met.

Reporting Results

Once the Capability Determination team has reached consensus on which eSCM-CL requirements have been met and which have not been met, the team will prepare a Preliminary Findings presentation. This presentation reviews the Capability Determination process for participants and presents the strengths and improvement opportunities identified by the team, relative to the eSCM-CL. This presentation is considered preliminary, because the organization has an opportunity over the next 14 days to provide additional information if they believe the Capability Determination team has not seen all the data required to make an accurate rating.

At the conclusion of the response period, the Capability Determination team presents the organization with a Final Report. This report contains detailed findings relative to each requirement in the eSCM-CL. If the organization is pursuing formal certification, the report will include the team's recommendation regarding certification. The report will be provided to ITSqc for the certification decision (see pg. 61 for a description of the certification process).

Organizational Readiness

Figure 14 provided examples of paths organizations may follow to prepare for a Full Evaluation for Certification. In addition to following one of these paths, there are other steps organizations will need to take to prepare for an eSCM-CL Capability Determination for certification. Below is a brief description of some of these activities, followed by more specifics on what the organization will need to provide during a Capability Determination.

Implementation of the eSCM-CL

Become familiar with the Model

The first step to being ready to implement the Model is to learn more about it and its methods. You should identify an individual or set of individuals, usually, but not always, from your sourcing team. These personnel will study the Model in more detail, including receiving training in the Model and its methods¹.

Develop a business case

Once you have some familiarity with the Model you can determine whether to implement it. Some typical reasons for adopting the eSCM-CL are 1) a commitment to quality, 2) competitive pressures, i.e., other client organizations in your market are adopting the Model, 3) service provider demands, i.e., service providers are urging adoption of the Model, perhaps to align with their eSCM-SP improvement efforts, and 4) desired improvement of client organization capabilities. In this stage the organization should determine what the motivation is for adopting the Model and what the organization wants as its goal, i.e., certification, implementation of targeted Practices and Capability Areas, in order to identify an implementation strategy, and its costs and benefits.²

Develop an implementation strategy and plan

If your organization decides to implement the Model you will need to develop a detailed implementation strategy and plan. Typical activities to include in the plan are:

- Developing personnel capabilities in the eSCM-CL through training and developing internal personnel, or through hiring of qualified consultants.
- Training and/or hiring of evaluators.
- Conducting readiness assessments to determine current gaps in compliance with the eSCM-CL.
- Process analysis.
- Process design and development.
- Training of process owners and developers.
- Process implementation.

Implement the strategy and plan

Having developed the strategy and plan, the organization is ready to implement. All the resources should be in place and the implementation activities tracked against the plan so that the organization can achieve its identified goal. Capability Determinations should be used as part of implementation progress tracking (see Figure 14 and accompanying description for example paths).

¹ Training is available from ITSqc and its authorized trainers.

² ITSqc's Qualified Consultants can help an organization in this, and other, implementation activities. Selected Qualified Consultants have received advanced training on the eSCM-CL. A list of individuals that have taken the appropriate training can be found at <http://itsqc.cmu.edu>.

Organizational Preparation for a Determination

There are four basic elements to preparing for a Capability Determination: (1) determining Model scope and organizational span; (2) providing materials to the Capability Determination team; (3) providing site coordination; and (4) making participants available.

Prior to undertaking a Capability Determination, the organization first needs to work with the Determination Team Leader to decide the Model scope and organizational span that will be covered by the Capability Determination. The coverage of the client organization included in a Capability Determination is called the organizational span. Several factors should be considered when making this decision including the size of the organization and site(s) and which functions and Practices that organization actually controls or implements. The Capability Determination may involve one or more projects, engagements, or sites. It also addresses one or more specific sourced services (e.g., customer care or engineering services). Organizational size will have a major impact on the amount of time, effort, and money that a Capability Determination will take. Some organizations may not have control over all of the functional areas, i.e., legal, human resources, and marketing, especially if it is part of a larger organization with centralized functions. In other cases, the organization, due to client requirements, may not have control over other areas covered by the Model, i.e., where the function is being performed by a service provider. These issues need to be discussed and included in the Capability Determination scope prior to finalizing the plan for the Capability Determination. For a Full Evaluation for Certification this information will need to be included in the Capability Determination Agreement completed by the organization and by the Determination Team Leader.

There are four types of materials the site will need to provide to the Capability Determination team:

- **Organizational Questionnaire**

The site will need to complete the Organizational Questionnaire provided by the Determination Team Leader. This will include information such as the organization chart, addresses for each site, a description of services being sourced, and other basic information about the organization that is undergoing the Capability Determination.

- **eSCM-CL mapping**

The site should prepare an eSCM-CL mapping (master index) that describes, for each eSCM-CL Required Activity, which guidance documents and implementation evidence (artifacts) the organization has that are related to that Activity.

- **Guidance Documentation**

The site will need to provide access to all guidance documents (e.g., policies, procedures, process, job aids) that are being used to meet eSCM-CL requirements. Any guidance documents listed in the eSCM-CL mapping should be made available, either through electronic means or in hard copy.

- **Artifacts**

The site will need to provide access to artifacts (e.g., reports, plans) that are being used to meet eSCM-CL requirements. Any artifact described in the guidance documents and any artifact listed in the eSCM-CL mapping should be made available. If the organization has multiple engagements in scope of the Capability Determination, artifacts will need to be made available for all engagements. There may be some documents under strict control (e.g., contracts, business cases) that may take the organization some time and additional approvals to make available to the Capability Determination team.

In addition to materials, the site will also need to make available one or more site coordinators to assist the Capability Determination team. The site should plan on the coordinators being available full-time during the course of the Capability Determination. There are two different kinds of roles for coordinators, and it may be that one person may not be able to fill both roles: (1) logistics coordination: administrative level support to arrange a team room, interview room, presentation room, and necessary equipment; and, (2) determination coordination: sufficient experience in the organization to get access to needed executives, answer Capability Determination team questions about the processes, and help resolve issues.

Thirdly, the organization will need to plan for making participants available to the Capability Determination team. There are three main activities where participants will need to be involved: (1) Usually some of the organization will be asked to participate in an initial briefing and completing a Capability Questionnaire, for up to 1.5 hours; (2) 20-40 people will usually be selected for interviews, typically for up to 1 hour each; and, (3) the preliminary findings briefing will usually include all participants as well as the organization's senior management, for up to 1 hour.

The time and effort required to conduct a Capability Determination varies greatly depending on the organizational span, the Model scope (i.e., number of eSCM-CL Practices analyzed), and the size of the Capability Determination team. Figure 17 shows a sample timeline for a Full Capability Determination using a five-person team. Most of the activities prior to 'Prepare Team' are conducted by the Determination Team Leader, perhaps with help from some of the Capability Determination team. The full team usually starts its onsite activities from 'Prepare Team,' onward. For certification, the timeline is extended a further 2-4 weeks to cover the submission to, and interaction with, the ITSqc Certification Board and up to an additional 4 weeks for action by the ITSqc Certification Board.

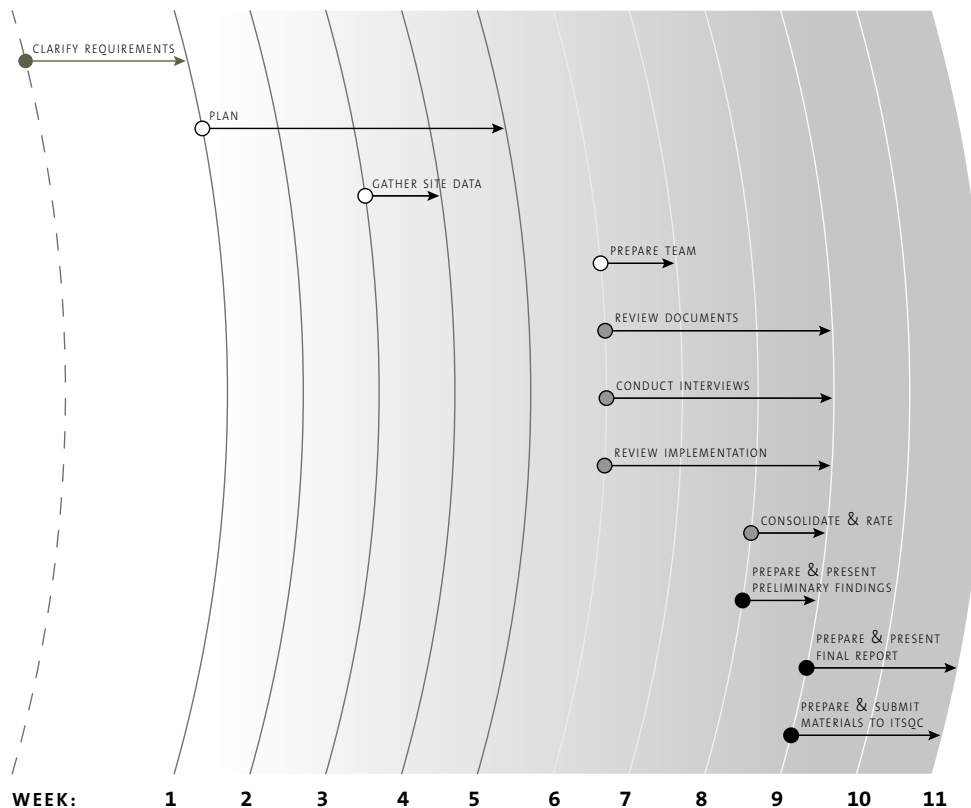


Figure 17.
Capability Determination timeline
This sample timeline shows how a team of five Evaluators might perform a typical Full Self-appraisal.

Certification

ITSqc provides certification in order to provide a credible, independent, and reliable way to determine compliance of an organization with the eSCM-CL. Certification can be used by clients to demonstrate their capability and associated risk profile to senior management, internal stakeholders, and current or potential service providers to differentiate client organizations and assess the risk of doing business with a particular client. Certification can be used by clients to signal their excellence in performing sourcing activities, and by potential service providers in differentiating between various customers. Full Evaluations for Certification must be performed by an ITSqc-Authorized Organization and led by a Lead Evaluator authorized by Carnegie Mellon to perform external evaluations of client organizations. Certification can only be awarded based on completion of a Full Evaluation for Certification performed by Lead Evaluators and Evaluators authorized by ITSqc.

In order to ensure the reliability of its certificates, the ITSqc has created a rigorous training program for Evaluators and Lead Evaluators. In addition, ITSqc enforces a Code of Professional Practice [ITSqc 2006] that it has developed for all Evaluators and Lead Evaluators and their organizations.

A Full Evaluation for Certification produces a rating and observations for each of the 95 eSCM-CL Practices. In order to be certified at a Capability Level, all Practices for that Level and lower Levels must be satisfied. The Capability Determination method does allow for exceptions if a Practice is not applicable or if the organization has had no opportunity to perform a Practice (for instance, Completion Practices for organizations who have not yet had a contract or service end). Any such exceptions must be approved by the ITSqc Certification Board and are noted on the Certificate of Capability.

The ITSqc Certification Board conducts a rigorous review of all Full Evaluation for Certification plans and results before certification occurs. Once the Certification Board has met and approved certification, a Certificate of Capability is issued. These Certificates last for at most two years. Certificates may be revoked or suspended before they expire for a number of reasons. Major changes in the organization's ownership, staffing, or processes may trigger some form of confirmation by ITSqc to verify the organization's continued eSCM-CL compliance. This verification will normally take the form of a Mini Evaluation conducted by ITSqc.

The certificate provides assurance of the client organization's compliance with the eSCM-CL at a particular Capability Level. It also contains important information about the boundaries of the certification, including the organizational span of the certification. In addition, the certificate lists any qualifications on the Practice Ratings, such as which Practices were considered not applicable.

ITSqc's Role in the Certification Process**Certification**

For certification, the ITSqc acts as a third party that certifies the organizational systems and processes of organizations with respect to the eSourcing Capability Model for Client Organizations.

As the certification body, the ITSqc will specify the conditions for granting, maintaining, reducing, or extending certification and the conditions under which certification may be suspended or withdrawn.

The ITSqc has established a Certification Board composed of senior professionals from the Center who have Lead Evaluator status. The ITSqc Certification Board conducts a rigorous review of all Full Evaluation for Certification plans and results before certification occurs. ITSqc ensures that all Capability Determination teams are provided with up-to-date Capability Determination instructions and all relevant information on certification arrangements and procedures.

The ITSqc maintains and publishes a list of eSCM-CL certified organizations on the ITSqc web site (<http://itsqc.cmu.edu>).

Authorization

The role of the ITSqc as an authorizing body is to train and qualify evaluators who are authorized to perform the ITSqc Capability Determination methods. ITSqc authorizes organizations to provide Capability Determination services as third party evaluators and trains and authorizes individuals as Evaluators and Lead Evaluators. Organizations that become Authorized Organizations for Capability Determination Services can sponsor candidate individuals to become Authorized Evaluators and Authorized Lead Evaluators. Only Authorized Organizations may offer eSCM Capability Determination services.

In order to ensure the reliability of its certificates, the ITSqc has created a rigorous training program for evaluators: classroom training, multiple tests, and observations of evaluator behavior in simulated and actual Capability Determinations. ITSqc enforces a Code of Professional Practice [ITSqc 2006] for all evaluators and their organizations, and it may provide on-site observers during evaluations.

Individuals who meet qualification criteria are eligible for authorization as Authorized Evaluators and as Authorized Lead Evaluators. These individuals have access to Capability Determination methods, training materials, technical support, and upgrade training. Through their participation in Evaluations and Self-appraisals, and through feedback mechanisms built into the methods, they contribute to the advancement of the Capability Determination process, as well as contributing to ITSqc's understanding of the state of practice in eSourcing. For a current list of Authorized Organizations, Evaluators, and Lead Evaluators that provide Capability Determination services please see the ITSqc website (<http://itsqc.cmu.edu>).

CHAPTER 6

Interpreting the Intent of the eSCM-CL



There are several topics that will aid in understanding the intent of the eSCM-CL Model:

- The type of model: capability vs. maturity model.
- The types of Practices: what it means to be a policy, procedure, guideline, program, plan, or other Practice, and what is expected for each type.
- Measurement requirements in the eSCM-CL: understanding the progressive measurement path through the Capability Levels of the eSCM-CL.
- Other documentation requirements in the eSCM-CL: besides the emphasized requirements for policy, procedure, guideline, program, or plan, other documentation is expected in order to be compliant with the intent of the Practices.
- Supporting the Institutionalization of the eSCM-CL Practices: how the eSCM-CL implements a set of Support Practices that ensures all eSCM-CL Practices are implemented in a consistent and repeatable manner, and that are implicitly referenced in every Practice in the Model.

Capability vs. Maturity Models

The eSCM-CL is structured as a capability model rather than a maturity model. The distinction is an important one in order to understand the expected use of the Model, what it means for a Practice to be defined at a specific Capability Level, and what it means for a client organization to be certified at a specific Capability Level.

The key difference is that, while process capability is about the predictability of the process and its outcomes, process maturity is about the growth in the process capability and about building on one set of processes to establish another higher-maturity set of processes. The following, taken from the CMM for Software, helps illustrate that point:

Process capability describes 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 [Paulk 1995, pg. 9].

A maturity level is a well-defined evolutionary plateau toward achieving a mature process. Each maturity level provides a layer in the foundation for continuous process improvement. Each level comprises a set of process goals that, when satisfied, stabilize an important component of the process. Achieving each level of the maturity framework establishes a different component in the process, resulting in an increase in the process capability of the organization [Paulk 1995, pg. 15].

Since the eSCM-CL is a capability model, each Capability Level has Practices that, together, define a predictable set of processes and outcomes. An organization at Capability Level 2, for example, is predictably able to manage their sourcing activities, provided those requirements do not vary significantly from the organization's experience. An organization at Level 3 is predictably able to manage both their sourcing performance and manage its sourcing performance across multiple sourcing engagements. An organization at Level 4 is predictably able to respond to changing business environments and deliver enhanced value.

Since maturity models have well-defined plateaus of process maturity, organizations are expected to implement all lower level Practices before beginning to implement higher-level Practices. Capability models, on the other hand, allow organizations to implement Practices from different levels simultaneously. For instance, an organization using the eSCM-CL may decide to create a capability baseline, a Level 4 Capability, for its sourcing management processes before it has implemented all of the Level 2 Practices. The organization may choose to do this for a variety of reasons, including competitive pressures or specific internal requirements for demonstrating measurable improvement. The important thing for users of the eSCM-CL to recognize is that, since it is a capability model and not a maturity model, it is possible to implement Practices in a higher Capability Level before implementing all Practices in a lower Capability Level. Client organization's business goals and considerations typically dictate the critical factors that specify which eSCM-CL Practices they implement.

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. Most 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 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. 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. Policies are high-level documents used to state guiding principles and demonstrate management's commitment to a topic. Plans are documents used to help execute and control work. Programs are groups of related projects that are described primarily in plans and business cases.

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" [Paulk 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.

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 the steps to be followed, textual descriptions of each diagrammed step, and an indication of roles and responsibilities.

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 that personnel perform a Practice. Some types of guidelines (e.g., estimating guidelines) are normally implemented through a tool or database that captures expert knowledge in a way that can be easily reused by others.

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. Each program includes a program plan that documents the scope, assumptions, dependencies, costs, effort, due dates, tasks, and work assignments for the program. It also includes a business case that clearly indicates the objectives and the expected benefits of the program.

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 the critical pieces of information to the stakeholders.

Other Practices

Several 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 client organization. Based on this business judgment, the client 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 some organizations, these Practices may not lend themselves to being documented as a policy, procedure, or guideline. However, they will often be documented as part of a plan and will also have guidance documents that describe the roles and responsibilities of personnel who manage the work.

Measurement in the eSCM-CL

Measuring the organization's progress in implementing the eSCM-CL provides a firm foundation for effective management from several perspectives. Measurement is necessary to define and track the organization's sourcing activities and sourcing performance, including service levels expected and realized which provide objective criteria for establishing and managing customer-supplier agreements. Cost and schedule measurements support the effective and efficient allocation of resources. Performance trends, which enable proactive management, depend on measurement and analysis. Continual, measured improvement is derived by identifying opportunities for improvement and the associated return-on-investment (ROI). Industry studies based on valid data provide a foundation for making informed trade-offs in selecting and monitoring suppliers, establishing service level agreements, and doing risk management.

While it is possible to measure multiple attributes of every Practice in the eSCM-CL, the measurement effort should be focused on the client organization's sourcing objectives, sourcing activities, and service levels and service conditions that add value for the clients. The fundamental principle for a measurement effort should be to support the achievement of business objectives.

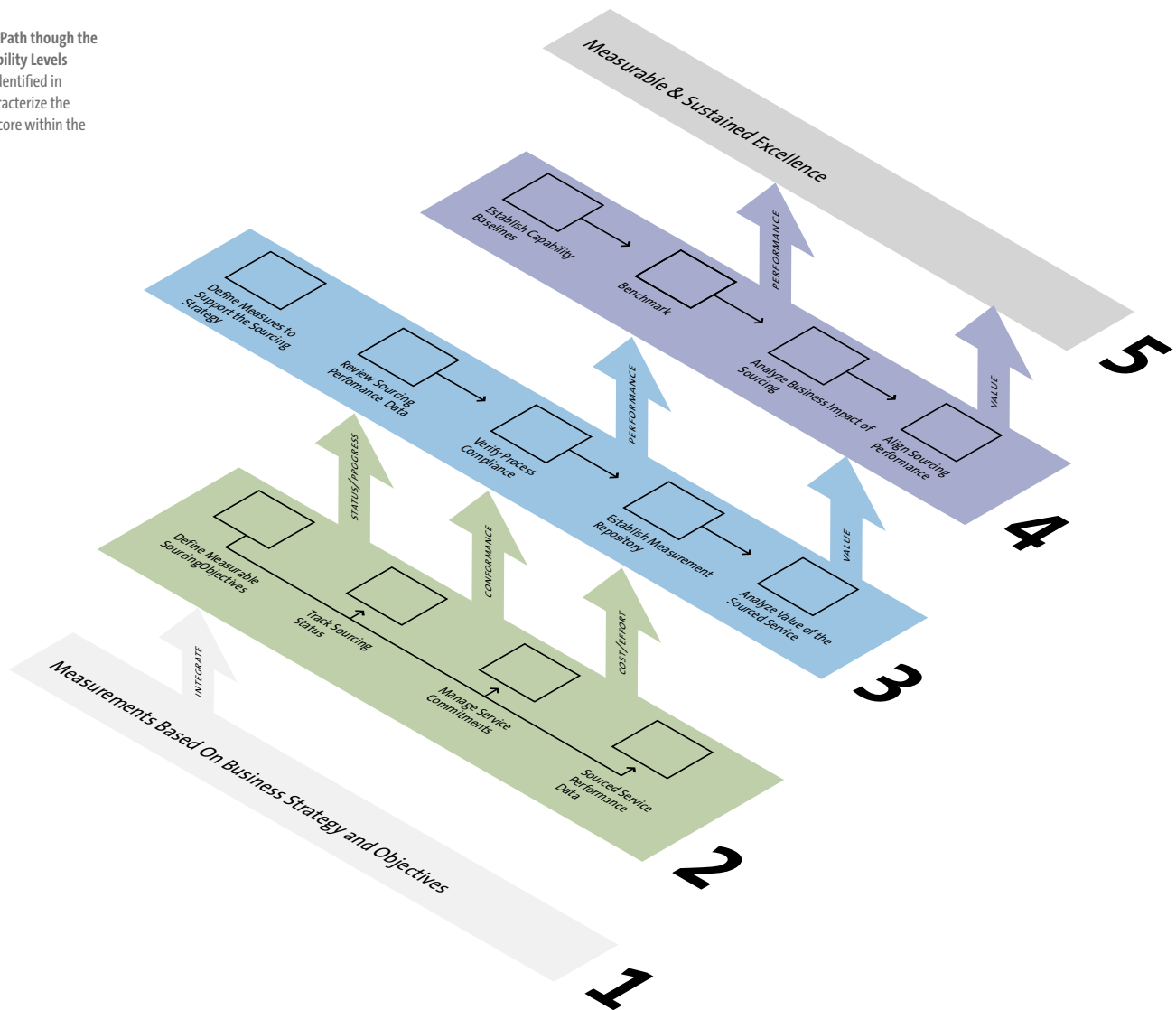
The philosophy underlying the use of measurement in an eSCM-CL context is goal-driven measurement. That is, there should be a direct logical link between the business objectives of the client organization, its sourcing objectives, and the measures collected and analyzed [ISO15939 2002, Park 1996, McGarry 2002]. Measures should be derived from both engagement and organizational needs. These needs are driven by, for example, internal stakeholder requirements (typically captured in service level agreements), business objectives (such as growth and profitability), improvement objectives, and statutory and regulatory requirements.

Goal-driven measurement is not based on a pre-defined set of measures. A client organization may decide to use a subset of the recommended measures, define additional measures, or tailor the recommended measures. Whichever course the client organization decides to take, it needs to determine the set of measures to be collected based on the requirements of its sourced services and the client organization's business and sourcing objectives, and then collect and use the measures consistently.

Focusing on meeting these requirements and the achievement of business objectives, the eSCM-CL provides a progressive measurement path through the Capability Levels. While it is possible to measure multiple attributes of every Practice in the eSCM-CL, the measurement effort should be focused on business objectives that add value to the client organization, encompassing both the sourcing activities and the internal stakeholders. The fundamental principle underlying measurement should be to support the achievement of business objectives. Figure 18 represents the evolution in measurement capability of a client organization progressing up the eSCM-CL Capability Levels. The Practices identified in the Figure make up the measurement core within the eSCM-CL.

Although a client organization performing at Capability Level 1 could have theoretically implemented 94 of the 95 Practices (and failed to satisfy a single Level 2 Practice), in practice the norm is likely to be that there are major gaps at each Level. Measurement initiatives in Capability Level 1 organizations are often ad hoc, driven by the immediate business needs of the client organization, its internal stakeholders, and the relationship with the service provider.

Figure 18.
Measurement Path through the
eSCM-CL Capability Levels
The Practices identified in
this Figure characterize the
measurement core within the
eSCM-CL.



At Capability Level 2 a client organization is expected to understand its business objectives, define measurable sourcing objectives, and define the measures needed to track its progress toward achieving those objectives until it can be verified that the objectives have been satisfied. A primary focus of Capability Level 2 is on the performance measures that are related to the sourced service: status, progress, cost, effort, and nonconformance.

A key aspect of measurement at Capability Level 2 is focused on tracking the sourcing activities of the client organization, bringing a level of management discipline to performing sourcing activities that provides insight into the current and planned sourcing activities, both in the activities of the client organization and in the performance of the service providers. Measurement at Capability Level 2 also focuses on management of service commitments, including service levels and service conditions. The measures answer several questions:

- Is the service provider providing appropriate service performance by meeting agreed-upon service level agreements?
- Is the service provider meeting its service commitments?
- Is the service provider doing the work as planned?

Where measurement at Capability Level 1 may have been ad hoc, measurement at Capability Level 2 provides a reasonably comprehensive picture of sourcing performance in each sourced service.

Verification that the organization's sourcing activities are consistently performed as defined is addressed as an integral component of Practice mgt01, "Perform sourcing management," while verification that the service commitments are met happens in Practice mgt02, "Performance Monitoring." The operational definitions for service measures (e.g., identification of the attributes to measure, data collection methods, data analysis methods, etc.) were determined in Practice agr05, "Define SLAs & Measures." This practice not only focused on defining performance measures for the services provided by the service provider, but also for the service conditions measuring how well they delivered that service. Status and progress measures are necessary to implement this Practice. These measures are captured as a result of performing multiple Practices within the Sourced Service Management Capability Area, including mgt02, "Performance Monitoring," mgt03, "Financial Management," mgt04, "Agreement Management," mgt05, "Problem and Incident Monitoring," and mgt08, "Review Service Performance."

At Level 3 measurement is done across multiple sourced services and directly addresses organizational issues, including organizational objectives and performance against meeting the sourcing strategy. Performance is measured relative to organizational objectives, although most of the data is collected at the sourced service level and aggregated for use at the organizational level. Measurement data is captured in organizational repositories to support organizational analyses.

At Capability Level 3, measurement crosses engagements and directly addresses organizational sourcing issues. Performance targets are set as part of the organizational sourcing objectives and measures established in the Capability Level 2 Practice str04, "Organizational Sourcing Objectives," and incorporated into the client organization's sourcing strategy in Practice str05, "Organizational Sourcing Strategy." Organizational performance targets will be largely derived from analyzing the performance of the organization's sourced services as described for Capability Level 2. The periodic review and analysis of the performance measures are addressed in Practice val01, "Organizational sourcing performance." This is done to verify that the organizational sourcing objectives are being met, and to address identifying opportunities for improvement. A measurement repository for the organization is established in Practice gov04, "Defined sourcing processes."

Some objectives may be measured subjectively rather than objectively. The client is expected to establish measurable objectives in service level agreements and service conditions. These measures will typically be service-specific, and no additional guidance on service-specific measures is given in the eSCM-CL. Regardless of the objective measures that may be specified, the client's perceptions will shape the course of a client-provider relationship as much as the objective satisfaction of the service commitments. The measures should therefore include attributes that determine the customer's satisfaction in the market and service context. Obtaining and analyzing feedback from internal stakeholders is addressed in Practice mgt09, "Stakeholder Feedback."

Verification of the client organization's conformance to its established sourcing processes and procedures happens in Practice gov04, "Defined sourcing processes." Nonconformance measures are necessary to implement this Practice. Patterns of nonconformance may be used to initiate improvement actions. Improvement actions may also be initiated as a result of the review of the sourcing performance of the client organization, performed in Practice val01, "Organizational Sourcing Performance." Cost and effort measures of the organization's sourcing activities are necessary to implement this Practice.

While value analysis activities at Capability Level 3 focused on the value of each sourced service as performed in Practice mgt10, "Service Value Analysis," these analyses at Capability Level 4 focus on the overall sourcing performance of the organization with respect to its impact on the business, as addressed in Practices val06, "Business Value and Impact" and val07, "Sourcing Alignment." At Capability Level 4 the analysis of data for the client organization's sourced services and sourcing performance is statistically sophisticated since capability baselines and benchmarks of organizational performance are defined. Process capability baselines, which are based on the consistent performance of effective processes, are established in Practice val02, "Capability baselines." These support statistically valid conclusions about the expected performance, and comparisons between different processes. They allow the organization to benchmark its performance in order to identify opportunities for improvement and to set performance targets (Practice val03, "Benchmark Sourcing Processes"). A measurement focus of Level 4 is on understanding the impact of change on performance and variation since the long-term goal is to improve performance and decrease variation. In the short term, the learning curve associated with adopting innovative technologies and processes may lead to decreased performance and increased variability, so it is crucial to monitor the ultimate impact of an innovation as it is adopted and deployed.

Client organizations at Capability Level 5 demonstrate measurable, sustained, and consistent performance excellence throughout the organization over time. While there may be some question about the effect of an innovation in the short term for a Level 4 organization, the Level 5 organization can demonstrate the long-term effect of multiple innovations as measurable improvements in sourcing performance. The theme of Level 5 is sustained excellence. There are no additional Practices in the eSCM-CL at Capability Level 5, but an organization that has implemented the Capability Level 2, 3, and 4 Practices can be expected to measurably improve its performance. Quantitative performance measurement is the key to sustaining performance excellence.

Other Documentation Requirements in the eSCM-CL

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

Within a Practice, individual Activities often require other types of documentation. Many Activities have explicit references to documentation requirements, by indicating a common name for a document that is expected (e.g., disaster recovery plan). In these cases the organization must have one or more documents covering that activity in order to meet the intent of the activity.

Many Activities have implicit references 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 x” implies that a document will be created, but the nature of that document is left to the business judgment of the organization. Whenever Practice Activities use the following verbs, there is an implicit requirement for documentation: create, define, develop, document, gather, or plan.

For more detail on the progression of documentation through the Sourcing Life-cycle, as addressed by the eSCM-CL, please see *The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 2: Practice Details* [Hefley 2006].

Supporting the Institutionalization of the eSCM-CL Practices

Institutionalization is the process of building infrastructure and culture that support an organization’s methods, practices, and procedures so that they become the standard way of doing business. Colloquially, institutionalization captures the concept that “this is the way we do business.” The intent of institutionalization is to perform work in a consistent and repeatable manner so that the expectations of managers, workers, clients, and other stakeholders can be met.

There are ten Support Practices in the eSCM-CL that provide the means for the institutionalization of any eSCM-CL Practice. The type of support provided by these Practices is discussed below. For the detail on the set of Support Practices please see *The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 2: Practice Details* [Hefley 2006].

Four aspects of institutionalization must be addressed. Each of these four aspects of institutionalization should be considered in the context of the business environment in which the client organization is operating.

The first aspect of institutionalization is the particular approach to doing the work, which is captured in documented processes. 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. Practices in the eSCM-CL support consistent work by describing processes in terms of policies, procedures, guidelines, plans, programs, and other work products and activities that provide a foundation for both consistency and improvement. Support Practices in the Model describe the creation and maintenance of process assets that are particularly important to support institutionalization.

The second aspect of institutionalization is the particular deployment of the documented processes. Support Practices in the eSCM-CL support deployment by communication, training, resource provision, and process verification. If these process assets have been successfully deployed, it is expected that they will be used in new sourcing activities and adopted for existing sourced services, as appropriate. Note that, for existing sourced services, there may be valid reasons for not adopting these new processes.

The third aspect of institutionalization is the act of demonstrating that the client organization’s behavior matches their documented process. Processes are not considered fully institutionalized until they have been in place for a sufficient amount of time for them to become “the way we do things.” Any organization cannot expect to define a process one week and get full credit for routinely performing it the next. How much longer than a week (or the number of executions of the process) is needed to demonstrate that it is institutionalized? There is no absolute rule. Fundamentally, a process is what you do. It is not a document. A reasonable heuristic for judging

institutionalization is 6 to 12 months of frequently performed processes, and many evaluators are only comfortable with a year or more of behavioral evidence. The answer, however, depends on the organization's management support, frequency of execution, training, and other infrastructure issues. For instance, a process only executed annually may take several years to institutionalize, where a process executed daily may be considered to be institutionalized within only a few months.

The fourth aspect of institutionalization is the challenge of demonstrating continuous improvement. Organizations that have institutionalized a process have had the opportunity to fine-tune it and determine its effectiveness. The process being used today should be at least incrementally improved over the process used a year ago; it may be radically different if a new technology has been adopted. Does the adoption of innovations imply a drop in capability? In terms of measured performance, a learning curve effect is expected, even when a process change does not affect the fundamental discipline of the process. Institutionalization means establishing a culture of following disciplined processes, even though those processes will systematically change in a controlled fashion over time. One implication, therefore, for an institutionalized process is that it has been improved and results from this improvement have been seen, which can lead to a cycle of continuous process improvement.

CHAPTER 7

Summary



The eSourcing Capability Model for Client Organizations (eSCM-CL) is a “best practices” capability model that gives client organizations guidance in improving their capability across the sourcing life-cycle and gives clients an objective means of evaluating their capability. It is intended as a companion model to the eSourcing Capability Model for Service Providers (eSCM-SP), to provide a complete “best practices” view of the entire sourcing relationship between service providers supplying IT-enabled services and their client organizations.

The eSCM-CL is composed of 95 Practices, which can be thought of as the “best practices” that are associated with successful sourcing relationships. Each of the Practices in the eSCM-CL is uniquely positioned along each of three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level. These specify when the Practice is most applicable, what area of sourcing it supports, and to what level of capability it applies. *The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 2: Practice Details* [Hefley 2006] provides detailed information on the Model's Practices.

The Activities for each of its 95 Practice are used as the basis for model-based Capability Determinations. Using the Full Evaluation for Certification Capability Determination method, a client organization can pursue certification for demonstrated compliance with the eSCM-CL. Self-appraisal Capability Determinations can provide insights into the sourcing capability of a client organization. Training on the use of the eSCM-CL and its Capability Determination methods is available through courses offered by ITSqc and its Authorized Training Organizations.

More information on the eSCM-CL is available at <http://itsqc.cmu.edu>.

For more information about these opportunities, contact the ITSqc (escm@cmu.edu).

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]
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	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 (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> .
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]
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 service delivery capabilities. 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 activity</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]
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]

Governance	<p>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]</p> <p>Governance typically describes the ways in which rights and responsibilities are shared between the various participants, especially the management and the stakeholders.</p>
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.
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	<p>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.</p> <p>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.</p> <p>The term is often used in relation to the outsourcing of IT/IS. Sometimes also called 'intelligent customer'. [ITIL 2003]</p>
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	<p>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]</p>

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	<p>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]</p> <p>There are ten Support Practices in the eSCM-CL that provide support for the institutionalization of any eSCM-CL Practice.</p>
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]
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, c). [Hyder 2004a]
Model scope	The eSCM-CL Practices to be analyzed in a Capability Determination.
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 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</i> , <i>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</i> , <i>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]
Policy	A guiding principle, typically established by senior management, which is adopted by an organization to influence and determine decisions. [Paulk 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	<p>(1) A set of activities that produce products and services for customers. [GAO 1998]</p> <p>(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]</p>
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. [Paulk 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]
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 b contains Recommended Activities.
Relationship	A relationship may have multiple activities (which could include agreements or contracts, services, or from an 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]

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]
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	<p>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.</p> <p>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.</p>
Service levels	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	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-enabled services to its customer(s). The service provider is managed as a separate entity from the client organization. [Hyder 2004a, ITIL 2003]
Service Provider Evaluation Capability Area (spe)	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.
Service Transfer Capability Area (tfr)	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.
SLA	Service level agreement.
Sourced Services Management Capability Area (mgt)	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	<p>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]</p> <p>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></p>
Sourcing activity	As used in the eSCM-CL Practices, a client organization engages in business activities related to sourcing.
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 Support Attributes that are implemented by Major Activities a and c.

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]
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]

References

- [Alberta 1999] Govt. of Alberta, Office of the CIO. 1999. *A Contract Management Framework for Information Technology Projects*. Calgary, Alberta, Canada: Govt. of Alberta.
- [Baldrige] Baldrige National Quality Award. <http://www.quality.nist.gov/>.
- [Bernard 2004] Bernard, Tom, Brian Gallagher, Roger Bate, and Hal Wilson. 2004. *CMMI Acquisition Module (CMMI-AM), Version 1.0*. CMU/SEI-2004-TR-001. Pittsburgh, PA: Software Engineering Institute, Carnegie Mellon University.
- [Bernard 2005] Bernard, Tom, Brian Gallagher, Roger Bate & Hal Wilson. 2005. *CMMI Acquisition Module (CMMI-AM), Version 1.1*. CMU/SEI-2005-TR-011. Pittsburgh, PA: Software Engineering Institute, Carnegie Mellon University.
- [BITS 2003] BITS Financial Services Roundtable. 2003. *BITS Framework: Managing Technology Risk for IT Service Provider Relationships*. Washington, DC: BITS.
- [BoozAllen 2002] Booz Allen Hamilton. 2002. *Profits or Perils? The Bottom Line on Outsourcing*. McLean, VA: Booz Allen Hamilton.
- [BSI 2002] BSI. 2002. *BS 15000-1:2002, IT Service Management, Part 1: Specification*. London: BSI.
- [BSI 2003] BSI. 2003. *BS 15000-1:2003, IT Service Management, Part 2: Code of practice*. London: BSI.
- [Business Wire 2003] Business Wire. June 18, 2003. "Outsourcing of Finance and Accounting Functions Likely to Grow, According to Study by Accenture and EIU; Executives View Outsourcing as 'Strategic Weapon for Change.'"
- [Canada Newswire 2003] Canada Newswire, March 28, 2003, "Outsourcing Is Preferred Method to Improve Business Processes, Accenture Study Finds Willingness to Share Risks and Rewards is an Important Factor in Selection of Outsourcing Provider."
- [Chabrow 2003] Chabrow, Eric. October 22, 2003. "Government IT Outsourcing Will Grow As Workforce Ages." *InformationWeek*.
- [Chrissis 2003] Chrissis, Mary Beth, Mike Konrad, and Sandy Shrum. 2003. *CMMI: Guidelines for Process Integration and Product Improvement*. Boston, MA: Addison-Wesley.
- [COBIT 2000] Information Systems Audit and Control Foundation. 2000. *Control Objectives for Information and related Technology (COBIT)*. Rolling Meadows, IL: ISACA.
- [Commerce 2002] Department of Commerce, Office of Information and Communications Technology. 2002. *Contracting out guidelines. 2 ed.* Sydney, New South Wales: Department of Commerce.
- [Cooper 1999] Cooper, Jack, Matthew Fisher, and S. Wayne Sherer (editors). 1999. *Software Acquisition Capability Maturity Model (SA-CMM), Version 1.02*. Tech. Rpt. CMU/SEI-99-TR-002. Pittsburgh, PA: Software Engineering Institute, Carnegie Mellon University.
- [Cooper 2002] Cooper, Jack, Matt Fisher. 2002. *Software Acquisition Capability Maturity Model (SA-CMM) Version 1.03*. CMU/SEI-2002-TR-010. Pittsburgh, PA: Software Engineering Institute, Carnegie Mellon University.
- [COPC 2002] Customer Operations Performance Center (COPC). 2002. *COPC-2000 VMO Standard for Vendor Management Organizations Draft 1.0C*. Amherst, NY: COPC.
- [Curtis 2001] Curtis, Bill, William E. Hefley, Sally A. Miller. 2001. *People Capability Maturity Model: Guidelines for Improving the Workforce*. Boston, MA: Addison-Wesley.
- [Deming] Deming Prize. <http://www.deming.org/demingprize/>.
- [Deming 1986] Deming, W. Edwards. 1986. *Out of the Crisis*. Cambridge, MA: MIT Center for Advanced Engineering Study.

- [Deming 1994] Deming, W. Edwards. 1994. *The New Economics for Industry, Government, Education, Second Edition*. Cambridge, MA: MIT Center for Advanced Educational Services.
- [El Emam 1999] El Emam, Khaled, and Dennis R. Goldenson. November 1999. "An Empirical Review of Software Process Assessments." National Research Council of Canada, Institute for Information Technology.
- [EASI 1999] EASI and Department of Education. 1999. *Best Practices Study on Outsourcing*. Washington, DC: US Department of Education.
- [EFQM] EFQM Excellence Award. <http://www.efqm.org/>
- [FDIC 2003] Federal Deposit Insurance Company. 2003. *Effective Practices for Selecting a Service Provider*. Washington, DC: Federal Deposit Insurance Company.
- [Ferguson 1994] Ferguson, Jack R., and Michael E. DeRiso. 1994. *Software Acquisition: A Comparison of DoD and Commercial Practices*. CMU/SEI-94-SR-9. Pittsburgh, PA: Software Engineering Institute, Carnegie Mellon University.
- [Ferrell 2003] Ferrell, Keith. September 2, 2003. "Forrester: Business-Process Outsourcing Is Overhyped." *TechWeb News*.
- [FFIEC 2000] Federal Financial Institutions Examination Council. 2000. *Risk Management of Outsourced Technology Services*. Washington, DC: FFIEC.
- [Flanagan 1964] Flanagan, J. C. 1964. *Measuring human performance*. Pittsburgh, PA: American Institutes for Research.
- [FSA 2005] Financial Services Authority. 2005. *FSA Handbook*. London, UK: Financial Services Authority. <http://fsahandbook.info/FSA/html/handbook/SYSC>.
- [GAO 1998] U.S. General Accounting Office. April, 1998. BPR Glossary of Terms. In *Business Process Reengineering Assessment Guide (Based on GAO's Business Process Reengineering Assessment Guide, Version 3, GAO/AIMD.10.1.15, April 1997)*. [Available at <http://www.gao.gov/special.pubs/bprag/bprgloss.htm>]
- [GAO 2001] General Accounting Office. 2001. *Leading commercial practices for outsourcing of services*. GAO-02-214. Washington, DC: General Accounting Office.
- [Gardner 2003] Gardner, David W. October 31, 2003. "Outsourcing's Benefits Too Much to Ignore." *TechWeb News*.
- [Gareiss 2002] Gareiss, Robin. Nov. 18, 2002. "Analyzing the Outsourcers." *InformationWeek*. Available at <http://www.informationweek.com/story/showArticle.jhtml?articleID=6504105>
- [Gartner 2000] Gartner Group. 2000. "Dataquest's 1999-2004 Market Forecast for Business Process Outsourcing (BPO)." <http://www4.gartner.com/DisplayDocument?id=292181&acsFlg=accessBought#h1>.
- [Gartner 2003] Gartner. Outsourcing Strategy [Web Page]. 2003. Accessed 2004 Feb 10. Available at: <http://www3.gartner.com/pages/story.php.id.266.s.8.jsp>.
- [Gottfredson 2005] Gottfredson, Mark, Rudy Puryear, and Stephen Phillips. 2005. "Strategic Sourcing: From Periphery to the Core." *Harvard Business Review*, Vol. 83, No. 2; 132- .
- [Gremler 2004] Gremler, Dwayne D. 2004. The Critical Incident Technique in Service Research. *Journal of Service Research*, Vol. 7, No. 1, 65-89.
- [Harry 2000] Harry, Mikel, and Richard Schroeder. 2000. *Six Sigma: The Breakthrough Management Strategy Revolutionizing the World's Top Corporations*. New York: Doubleday.
- [HB 240:2000 2000] Goodwin, Dennis, Cooper, Dale, Cross, Jean, Knight, Kevin W., and Walker, Tom (Eds.). 2000. *HB 240:2000 Guidelines for managing risk in outsourcing utilizing the AS/NZS 4360 process*. Sydney, NSW, Australia: Standards Australia International.

- [Hefley 2006] Hefley, William E. and Ethel A. Loesche. 2006. *The eSourcing Capability Model for Client Organizations (eSCM-CL), Part 2: Practice Details*. CMU-ITSQC-06-003. Pittsburgh, PA: IT Services Qualification Center, Carnegie Mellon University.
- [Hyder 2003] Hyder, E. B; Kumar, B; Mahendra, V; Siegel, J; Heston, K. M; Gupta, R; Mahaboob, H, and Subramanian, P. 2003. *eSourcing Capability Model (eSCM) for IT-enabled Service Providers v1.1*. CMU-CS-02-155. Pittsburgh, PA: Carnegie Mellon University.
- [Hyder 2004a] Hyder, Elaine B., Heston, Keith M., and Paulk, Mark C. 2004. *The eSourcing Capability Model for Service Providers (eSCM-SP) V2, Part 1 - The eSCM-SP-v2: Model Overview*. CMU-ISRI-04-113. Pittsburgh, PA: IT Services Qualification Center, School of Computer Science, Carnegie Mellon University.
- [Hyder 2004b] Hyder, Elaine B., Heston, Keith M., and Paulk, Mark C. 2004. *The eSourcing Capability Model for Service Providers (eSCM-SP) V2, Part 2 - The eSCM-SP-v2: Practice Details*. CMU-ISRI-04-114. Pittsburgh, PA: IT Services Qualification Center, School of Computer Science, Carnegie Mellon University.
- [IEEE-STD-610 1990] IEEE. 1990. *IEEE Standard Computer Dictionary: A Compilation of IEEE Standard Computer Glossaries (IEEE STD-610-1990)*. New York: The Institute of Electrical and Electronics Engineers.
- [IIA 2005] The Institute of Internal Auditors. 2005. *Global Technology Auditing Guide 1: Information Technology Controls*. Altamonte Springs, FL: The Institute of Internal Auditors.
- [IMPACT 1995] KPMG IMPACT Programme and Outsourcing Working Group. 1995. *Best practice guidelines for outsourcing*. KPMG IMPACT Programme. London: HMSO.
- [ISO9001 2000] ISO 9001-1:2000. 2002. *Quality Management Systems—Requirements*. International Organization for Standardization and International Electrotechnical Commission.
- [ISO15939 2002] ISO 15939:2002. 2002. "Software engineering—Software measurement process." International Organization for Standardization.
- [ISO17799 2000] ISO 17799:2000. 2000. "Information Technology—Code of Practice for Information Security Management." International Organization for Standardization and International Electrotechnical Commission.
- [ITGI 2003] IT Governance Institute. 2003. *Board Briefing on IT Governance, 2nd Edition*. Rolling Meadows, IL: IT Governance Institute. http://www.isaca.org/Content/ContentGroups/ITGI3/Resources1/Board_Briefing_on_IT_Governance/26904_Board_Briefing_final.pdf
- [ITGI 2005] IT Governance Institute. 2005. *IT Governance Domains Practices and Competencies: Governance of Outsourcing*. Rolling Meadows, IL: IT Governance Institute.
- [ITGI 2005a] IT Governance Institute. 2005. *IT Governance Domains Practices and Competencies: Optimizing Value Creation From IT Investments*. Rolling Meadows, IL: IT Governance Institute.
- [ITGI 2006] IT Governance Institute. 2006. *Enterprise Value: Governance of IT Investments, The Val IT Framework*. Rolling Meadows, IL: IT Governance Institute.
- [ITIL] IT Infrastructure Library (ITIL). <http://www.ogc.gov.uk/index.asp?id=2261>.
- [ITIL 2003] Office of Government Commerce. 2003. *ITIL Glossaries/Acronyms*. United Kingdom: Office of Government Commerce. <http://www.get-best-practice.co.uk/glossary.aspx?product=ictinfrastructurelibrary>
- [ITSqc 2006] IT Services Qualification Center. 2006. *IT Services Qualification Center (ITSqc) Code of Professional Practice, Version 1.5*. Pittsburgh, PA: IT Services Qualification Center, Carnegie Mellon University.
- [Kearney 2004] A.T. Kearney. 2004. *Success through Shared Services: From Back-Office Functions to Strategic Drivers*. Chicago, IL: A.T. Kearney.

- [Khera 2006] Khera, P., and Hefley, B. Forthcoming. *eSCM-CL Annotated Bibliography*. CMU-ITSQC-06-008. Pittsburgh, PA: IT Services Qualification Center, Carnegie Mellon University.
- [Kumar 2001] Kumar, B., V. Mahendra, E. Hyder, E. Nawrocki, K. Madhu, and R. Gupta. April 30, 2001. *eSCM Annotated Bibliography*. CMU-CS-01-125/CMU-ISRI-01-100. Pittsburgh, PA: Carnegie Mellon University.
- [Martorelli 2005] Martorelli, W. and Moore, S. 2005. *Offshore Knowledge Process Outsourcing Emerges: Risks and Market Immaturity Accompany Significant Opportunity*. Cambridge, MA: Forrester Research.
- [McFeeley 1996] McFeeley, Bob. February 1996. *IDEAL: A User's Guide for Software Process Improvement*. CMU/SEI-96-HB-001. Pittsburgh, PA: Software Engineering Institute, Carnegie Mellon University.
- [McGarry 2002] McGarry, John, David Card, Cheryl Jones, Beth Layman, Elizabeth Clark, Joseph Dean, and Fred Hall. 2002. *Practical Software Measurement: Objective Information for Decision Makers*. Boston, MA: Addison-Wesley.
- [OGC 1999] Office of Government Commerce. 1999. *ITIL Security Management*. United Kingdom: The Stationery Office.
- [OGC 2000] Office of Government Commerce. 2000. *ITIL Service Delivery*. United Kingdom: The Stationery Office.
- [OGC 2001] Office of Government Commerce. 2001. *ITIL Service Support*. United Kingdom: The Stationery Office.
- [OGC 2002] Office of Government Commerce. 2002. *ITIL ICT Infrastructure Management*. United Kingdom: The Stationery Office.
- [OGC 2002a] Office of Government Commerce. 2002. *ITIL Planning to Implement Service Management*. United Kingdom: The Stationery Office.
- [OGC 2002b] Office of Government Commerce. 2002. *ITIL Application Management*. United Kingdom: The Stationery Office.
- [OGC 2003] Office of Government Commerce. 2003. *Gateway Process, Successful Delivery Toolkit. Version 3.9*. London: The Stationery Office.
- [OGC 2004] Office of Government Commerce. 2004. *ITIL Business Perspective (Vol 1)*. United Kingdom: The Stationery Office.
- [Ozanne 2000] Ozanne, M.R. February 29, 2000. *Barometer of Global Outsourcing - The Millennium Outlook*. Sponsored by Dun & Bradstreet. <http://www.dnbcollections.com/outsourcing/bar1.htm>.
- [Park 1996] Park, Robert E., Wolfhart B. Goethert, and William A. Florac. August 1996. *Goal-Driven Software Measurement—A Guidebook*. CMU/SEI-96-HB-002. Pittsburgh, PA: Software Engineering Institute, Carnegie Mellon University.
- [Paulk 1995] Paulk, Mark C., Charles V. Weber, Bill Curtis, and Mary Beth Chrissis. 1995. *The Capability Maturity Model: Guidelines for Improving the Software Process*. Reading, MA: Addison-Wesley Publishing Company.
- [PMBOK 2000] Project Management Institute. 2000. *A Guide to the Project Management Body of Knowledge*. Newtown Square, PA: Project Management Institute.
- [Quinn 1992] Quinn, James Brian. 1992. *Intelligent enterprise: a knowledge and service based paradigm for industry*. New York: Free Press.
- [Quinn 1994] Quinn, James Brian and Hilmer, Frederick G. 1994. "Strategic outsourcing." *Sloan Management Review*, v35 n4, 43-55.

- [Raffoul 2002] Raffoul, W. The outsourcing management maturity model: The road to outsourcing success: [Web Page]. 2002 Mar; Accessed 2004 Oct 10. Available at: <http://techupdate.zdnet.com/techupdate/stories/main/0,14179,2851971-2,00.html>.
- [Roehrig 2005] Roehrig, Paul, Laurie M. Orlov, and Katherine Brown. 2005. *Manage Organizational Change In IT Outsourcing Deals: Five Mistakes To Avoid In 2006*. Cambridge, MA: Forrester Research.
- [SEI 2005] Software Engineering Institute. 2005. *eSCM/CMMI Discussion* (May 6, 2005). Presentation materials. Pittsburgh, PA: Software Engineering Institute, Carnegie Mellon University.
- [Texas 1998] State of Texas, Department of Information Resources. 1998. *Guidelines for evaluating internal and external resources for major information technology projects*. Austin, Texas: Dept. of Information Resources.
- [TrainExcel 2002] TrainExcel CEO Consultancy Sdn Bhd. December 26, 2002. "Considering HR Outsourcing." *The New Straits Times*.
- [Willcocks 1998] Willcocks, Leslie P. and Mary C. Lacity. 1998. *Strategic Sourcing of Information Systems: Perspectives and Practices*. Chichester, England: John Wiley & Sons.
- [WordNet] WordNet: a lexical database for the English language. <http://wordnet.princeton.edu/>.

Appendices



Appendix A: Development of the eSCM-CL

The eSourcing Capability Model for Service Providers (eSCM-SP) was developed by a consortium led by Carnegie Mellon University's Information Technology Services Qualification Center (ITSqc). The eSCM-SP v2 contains 84 Practices that address the critical capabilities needed by IT-enabled sourcing service providers. Each version of the Model was developed and revised based on a variety of inputs: extensive literature reviews, interviews with sourcing clients and service providers, reviews of existing frameworks, pilot tests of Model and certification methods, training offerings, early adopter feedback, and technical review by a board of experts.

In 2003, the ITSqc began a related effort to define best practices of IT-enabled sourcing clients – the eSourcing Capability Model for Client Organizations (eSCM-CL). This effort was motivated by a premise that good sourcing outcomes require that best practices be followed by both the service providers and the clients in a relationship. Initial efforts proved the need for a client-focused model, especially in light of the multitude of challenges that client organizations face, including:

- establishing an appropriate sourcing strategy,
- Identifying capabilities that could be sourced,
- Developing appropriate approaches for sourcing activities,
- Managing risks throughout their sourcing activities,
- Identifying, selecting, and negotiating with service providers,
- Conducting service provider governance and performance management , and
- Managing relationships with their service providers

Thus, the eSCM-CL is being developed to provide compatible, effective sourcing practices for client organizations. Client organizations will use this Model to improve their:

- establishment of a sourcing strategy and sourcing planning,
- selection of service providers,
- contracting practices,
- governance, relationship, and performance management practices, as well as
- overall sourcing performance.

Existing quality models and standards were analyzed to understand their intent and scope, and to identify their potential applicability to the sourcing process and critical issues of sourcing. This analysis was conducted to determine the need for a sourcing model and to identify and confirm critical issues. As other frameworks are revised or introduced, their impact on the eSCM-CL is analyzed. Table 4 shows the existing quality models and standards that were analyzed. As a result of this analysis, it was determined that existing frameworks do not comprehensively address the best practices needed to successfully source IT-enabled services. Preliminary investigation shows most current quality models do not:

- address all phases of sourcing process (Analysis, Initiation, Delivery, and Completion),
- provide sufficient focus on sourcing relationships, or
- offer guidance about managing the organizational changes associated with sourcing.

Table 4. Existing quality models and standards analyzed

SERVICE PROVIDER PERSPECTIVE	CLIENT ORGANIZATION PERSPECTIVE
<ul style="list-style-type: none"> • BS15000/ITIL [BSI 2002, ITIL, OGC 1999, OGC 2000, OGC 2001, OGC 2002, OGC 2002a, OGC 2002b, OGC 2004] • eSCM for Service Providers [Hyder 2003, Hyder 2004a, Hyder 2004b] • ISO 9001:2000 [ISO 9001 2000] • CMMI® [Chrissis 2003] • SW-CMM® [Paulk 1995] 	<ul style="list-style-type: none"> • BITS [BITS 2003] • BoozAllen [BoozAllen 2002] • Contract Management Framework for Information Technology Projects (Province of Alberta, Canada) [Alberta 1999] • COBIT [COBIT 2000] • Department of Commerce, Office of Information and Communications Technology (New South Wales, AU) [Commerce 2002] • COPC-2000® VMO Standard for Vendor Management Organizations [COPC 2002] • EASI – U.S. Department of Education (US) [EASI 1999] • Federal Deposit Insurance Company [FDIC 2003] • Federal Financial Institutions Examination Council [FFIEC 2000] • Financial Services Authority (UK) [FSA 2005] • Gartner [Gartner 2003] • General Accounting Office (US) [GAO 2001] • IMPACT Programme (UK) [IMPACT 1995] • Meta [Raffoul 2002] • Office of Government Commerce - Gateway Process (UK) [OGC 2003] • Standards Australia (AU) [HB 240:2000 2000] • State of Texas (US) [Texas 1998] • CMMI® Acquisition Module (CMMI-AM) [Bernard 2004, Bernard 2005] • Software Acquisition CMM® (SA-CMM) [Cooper 1999, Cooper 2002] • CMMI® for Acquisition (CMMI-A) [Ferguson 1994, SEI 2005]

ITSqc hosted the first workshop on the eSCM-CL in April 2003. A key outcome of this workshop was industry validation of the need for best practice guidance (such as eSCM for Client Organizations). Workshop participants concluded that there was need for best practices in strategic sourcing, and that the best practices model capturing these practices needed to be more comprehensive than existing frameworks. Additionally, this workshop identified key issues to be addressed by the Model.

Building on the extensive literature review [Kumar 2001] conducted in the development of the eSCM-SP, an update [Khera 2006] to this literature review was begun, focusing on two key aspects: advances in best practices, and issues, perspectives, challenges, and best practices from the perspective of the client organizations. While most of the literature review was conducted during the development of eSCM-CL v1.0, literature is being reviewed on an ongoing basis to inform further model development.

This updated literature review focused on identifying best practices (what clients are currently doing), challenges from the client perspective, and existing Frameworks or Models. As a second priority, it also focused on identifying case studies, organizational outcomes from sourcing, and the skills and competencies needed in a client organization to be effective at sourcing, as well as trends in sourcing activities.

A second working group meeting was held at ITSqc in September 2003. This workshop gathered community inputs on guiding principles for the eSCM-CL and reconfirmed key issues by obtain-

ing a better understanding of issues from both client and service provider perspectives, and the differences between these perspectives. This workshop also focused on potential scope of the proposed Model and its structure. Participants were asked to work in small teams and develop a proposed structure for the Model. Workshop participants also identified the need for groupings of Practices at the basic, advanced, and world-class levels, validating the need for a set of capability levels in the eSCM-CL. Also discussed at this second workshop were the proposed eSCM-CL product suite and the need for multiple Capability Determination methods.

Interviews with organizations actively involved in sourcing began in January 2004. Interview participants were asked to identify specific incidents which they experienced personally and which had an important effect on the final outcome [Gremier 2004, Flanagan 1964]. We sought both incidents where successful outcomes resulted, as well as those incidents that led to failures or problems. Sourcing clients and service providers identified a set of critical issues that cover the formation, management, expansion, and completion of sourcing relationships. Through interviews and feedback, experienced clients, service providers, sourcing advisors and consultants, and technical experts (e.g., security experts) provided vital information about sourcing practices.

Table 5 summarizes the organizations that have been involved in the eSCM-CL development activities; whether they be workshop participation or interviews. It should be noted that some organizations participated in interviews under non-disclosure arrangements, and asked that their organizational identities not be disclosed.

Based on the working group inputs, literature reviews, interviews, and analyses of other frameworks, three dimensions were identified for the eSCM-CL Model: Phases of the Sourcing Life-cycle, Capability Areas, and Capability Levels. These dimensions are the same basic dimensions that are embodied in the eSCM-SP Model [Hyder 2004a]. The Sourcing Phases represented the temporality of the Practices; some Practices were relevant to a particular Sourcing Phase, while others covered multiple Phases. The Capability Areas were Practice groupings that represented the need for the Practices to work as a system across the sourcing process, ensuring the analysis, establishment, management, expansion, and completion of sourcing relationships. Capability Levels describe an improvement path and provide a means to differentiate between Practices at the basic, advanced, and world-class levels of capability.

The eSCM-CL development team validated the proposed model framework through the third Working Group meeting, held in June 2004, additional meetings with Working Group participants throughout 2004, and through the fourth Working Group meeting, held in February 2005.

The third eSCM-CL Workshop, held in June 2004, confirmed the planned/proposed product suite, as well as the proposed model architecture for eSCM-CL. One key decision regarding architecture ratified in this meeting, consistent with earlier workshop inputs and ITSqc suggestions, was that the eSCM-SP architecture could be utilized for eSCM-CL with the addition of an additional Sourcing Life-cycle phase prior to the Initiation Phase. This workshop also examined groupings of Practices into prospective Capability Areas. A fourth Workshop in February 2005 focused on the definition of the Capability Areas within the model architecture. Initial Practices in each Capability Area were identified.

Table 5. Organizations involved in eSCM-CL development activities

STANDARDS, AUDIT, EDUCATION	SERVICE PROVIDERS	CLIENT ORGANIZATIONS
<ul style="list-style-type: none"> • COPPE, Federal University of Rio de Janeiro • Government Accountability Office (USA) (formerly General Accounting Office) • IT Services Management Forum (itSMF-UK & USA) 	<ul style="list-style-type: none"> • Accenture • BearingPoint • CA • CEI America • DBA Engenharia de Sistemas (DBA) • Deloitte • Dornier Consulting • EDS • Hewlett-Packard • IBM Global Services • iGate • Phoenix Health Systems • Satyam • T-Systems • Others (under NDA) 	<ul style="list-style-type: none"> • American Express • Avon • Banco Nossa Caixa S.A. • BEA Systems, Inc. • Boeing • BP • Carnegie Mellon University • Children's Hospital of Pittsburgh • CIBC • DaimlerChrysler • General Motors • L'Oreal • Marconi • Mellon Financial • PNC Bank • State of Texas • The Hartford • UPMC - University of Pittsburgh Medical Center • Others (under NDA)
ADVISORS AND CONSULTANTS <ul style="list-style-type: none"> • Advisere • evolv partners • Outsourcing Institute • TPI • Others (under NDA) 		

Throughout these data collection and validation efforts, eSCM-CL developers had begun developing a database of potential client tasks, and two researchers independently rated each task to identify those critical tasks which would become candidate Practices for eSCM. ITSqc staff developed a strawman set of best practices within the model framework, which was distributed to members of the Working Group following the fourth Workshop. These draft Practices and framework were reviewed by the Working Group. Based on feedback from the Working Group, an additional synthesis was completed to group the Practices into Capability Areas and Capability Levels that provide a conceptual structure for continuously improving organizational performance and managing service provider relationships.

This synthesis has resulted in the eSCM-CL V1.0 Draft, which was reviewed by the Working Group. Following this review, members of the ITSqc Consortium also reviewed the proposed Practices and validated the eSCM-CL V1.0 Model. This completed the first round of the validation of strawman best practices, which was followed by revisions and a second round of review by Consortium and Advisory Board Members. These reviews completed the data collection and validation phase for the eSCM-CL development.

A more formal, public review period of eSCM-CL followed. Those individuals who have expressed interest in reviewing the eSCM-CL were invited to provide constructive comments, and a public workshop was held to introduce the Model and solicit feedback.

Initial pilot testing of the eSCM-CL and Capability Determination method occurred in 2006. Valuable feedback was gathered from pilot Capability Determinations using the eSCM-CL. Pilot Capability Determinations using the Model and associated method provide insights into the use of the Practices in broad, real-world settings, and provide information that can be used to suggest further refinements to the eSCM-CL. Additional vital feedback comes from eSCM-CL training courses, beginning in 2006. The Preview Workshop, mentioned above, was held to review and discuss the Model's framework and Practices.

Following this review period, minor revisions were made, and the eSCM-CL Version 1.1 was released. Following the release, proposed changes to the eSCM-CL go through a rigorous change control process. Recommended changes are logged as change requests. The eSCM-CL Development Team, composed of ITSqc staff and Consortium members, review the change requests to determine reasonableness and potential impact. After reviewing the requests, the Model Development Team proposes to the eSCM-CL Change Control Board (CCB) that the change requests be approved, rejected, or modified. The CCB makes a formal decision on the dispensation of the request. For any potentially significant change, the CCB investigates the impact with consortium members and other early adopters (e.g., through an Early Adopter's Workshop). Major changes are made available for public review before being finalized.

The eSCM-CL is a "best practices" model, and best practices evolve over time, especially in a dynamic area like IT-enabled services. The Model has evolved, and will continue to evolve as data is collected from a number of major sources. These sources include formal change requests, Early Adopter's Workshops, evaluation pilots, training, and improvement efforts. Based on these early learnings from use, the eSCM-CL may be revised to create a baseline model for certification purposes. Once released as the baseline model, the eSCM-CL will not change for at least four years to ensure a stable baseline for certification and data collection, although the eSCM-CL is a living model that can be expected to grow and adapt to the changing needs of the sourcing community.

Appendix B: One Page Practice Summary

SOURCING STRATEGY MGMT	str01	o	2	5	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
GOVERNANCE MGMT	gov02	o	2		Procedure Service Provider Management
	gov03	o	2		Procedure Internal Stakeholder Management
	gov04	o	3	5	Defined Sourcing Processes
	gov05	o	3		Align Strategy & Architectures
	gov06	o	3		Procedure Business Process Integration
	gov07	o	3		Guideline Adapt to Business Change
RELATIONSHIP MGMT	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
VALUE MGMT	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	5	Improve Sourcing Processes
	val05	o	4		Program Innovation
ORGANIZATIONAL CHANGE MGMT	val06	o	4		Business Value & Impact
	val07	o	4		Sourcing Alignment
	ocm01	o	3		Prepare For Organizational Change
	ocm02	o	2	5	Stakeholder Involvement
	ocm03	o	3	5	Define Future State
	ocm04	o	3		Plan Human Resource Changes
PEOPLE MGMT	ocm05	o	3		Plan Communicate Organizational Changes
	ocm06	o	2		Organizational Change
	ppl01	o	2	5	Assign Sourcing Responsibilities
	ppl02	o	2	5	Personnel Competencies
	ppl03	o	3		Organizational Sourcing Competency
	ppl04	o	3	5	Define Roles
KNOWLEDGE MGMT	knw01	o	2	5	Provide Required Information
	knw02	o	3	5	Knowledge System
	knw03	o	3		Market Information
	knw04	o	3		Lessons Learned
	knw05	o	4		Procedure Share Knowledge
	tch01	o	2		Procedure Asset Management
TECH MGMT	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
THREAT MGMT	thr05	o	2		Procedure Compliance
	thr06	o	2		Procedure Business Continuity

SOURCING OPP. ANALYSIS	opa01	a	3		Define Current State
	opa02	a	3		Sourcing Criteria
	opa03	a	2		Demand Identification
	opa04	a	2		Sourcing Options
	app01	a	2		Sourcing Approach
	app02	a	2		Procedure Business Case
SOURCING APPROACH	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
SOURCING PLANNING	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
SP EVAL	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
SOURCING 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		Procedure Knowledge Transferred Out
	mgt01	d	2		Plan Perform Sourcing Management
SERVICE TRANSFER	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
SOURCED SERVICE MGMT	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
SOURCED SERVICE MGMT	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 C: 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	⑤	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.
GOVERNANCE MANAGEMENT	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	⑤	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.
	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.
RELATIONSHIP MANAGEMENT	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.
	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	PRAC- TICE ID	LIFE-CYCLE PHASE	CL	PRACTICE TYPE	SHORT DESCRIPTION	PRACTICE STATEMENT
VALUE MANAGEMENT ORGANIZATIONAL CHANGE MANAGEMENT PEOPLE MANAGEMENT KNOWLEDGE MANAGEMENT TECHNOLOGY 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	⑤	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.
	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	⑤	Stakeholder Involvement	Identify and involve relevant stakeholders in sourcing activities.
	ocm03	Ongoing	3	⑤	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.
	ppl01	Ongoing	2	⑤	Assign Sourcing Responsibilities	Assign roles and responsibilities to sourcing personnel based on appropriate personnel competencies.
	ppl02	Ongoing	2	⑤	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	⑤	Define Roles	Define and communicate the roles and responsibilities of sourcing personnel across the organization.
	knw01	Ongoing	2	⑤	Provide Required Information	Identify, control, and provide the information that personnel need to perform their sourcing responsibilities.
	knw02	Ongoing	3	⑤	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.
	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	PRAC- TICE 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.
SOURCING OPPORTUNITY ANALYSIS	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 APPROACH	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.
SOURCING PLANNING	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.
SERVICE PROVIDER EVALUATION	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.

CA	PRAC- TICE 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.
SERVICE TRANSFER	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.
SOURCED SERVICE MANAGEMENT	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.
	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.
SOURCING COMPLETION	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.
	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.

Carnegie Mellon University does not discriminate and Carnegie Mellon University is required not to discriminate in admission, employment, or administration of its programs or activities on the basis of race, color, national origin, sex or handicap in violation of Title VI of the Civil Rights Act of 1964, Title IX of the Educational Amendments of 1972 and Section 504 of the Rehabilitation Act of 1973 or other federal, state, or local laws or executive orders.

In addition, Carnegie Mellon University does not discriminate in admission, employment, or administration of its programs on the basis of religion, creed, ancestry, belief, age, veteran status, sexual orientation or gender identity. Carnegie Mellon does not discriminate in violation of federal, state, or local laws or executive orders. However, in the judgment of the Carnegie Mellon Human Relations Commission, the Presidential Executive Order directing the Department of Defense to follow a policy of "Don't ask, don't tell, don't pursue" excludes openly gay, lesbian and bisexual students from receiving ROTC scholarships or serving in the military. Nevertheless, all ROTC classes at Carnegie Mellon University are available to all students.

Inquiries concerning application of these statements should be directed to the provost, Carnegie Mellon University, 5000 Forbes Avenue, Pittsburgh, PA 15213, telephone 412-268-6684 or the vice president for enrollment, Carnegie Mellon University, 5000 Forbes Avenue, Pittsburgh, PA 15213, telephone 412-268-2056.



Carnegie Mellon University's ITSqc (IT Services Qualification Center) is a multidisciplinary group of researchers, practitioners, and organizations that addresses the needs of IT-enabled service providers and their clients. To that end, the ITSqc develops quality models and qualification methods for organizations involved in eSourcing. eSCM, a set of complimentary best practices for the IT-Sourcing Market, is fast becoming the standard for sourcing relationships on both sides of the service relationship. Organizations become certified at one of five levels based on their use of and adherence to the best practices.

For more information visit itsqc.cmu.edu or email escm@cmu.edu.