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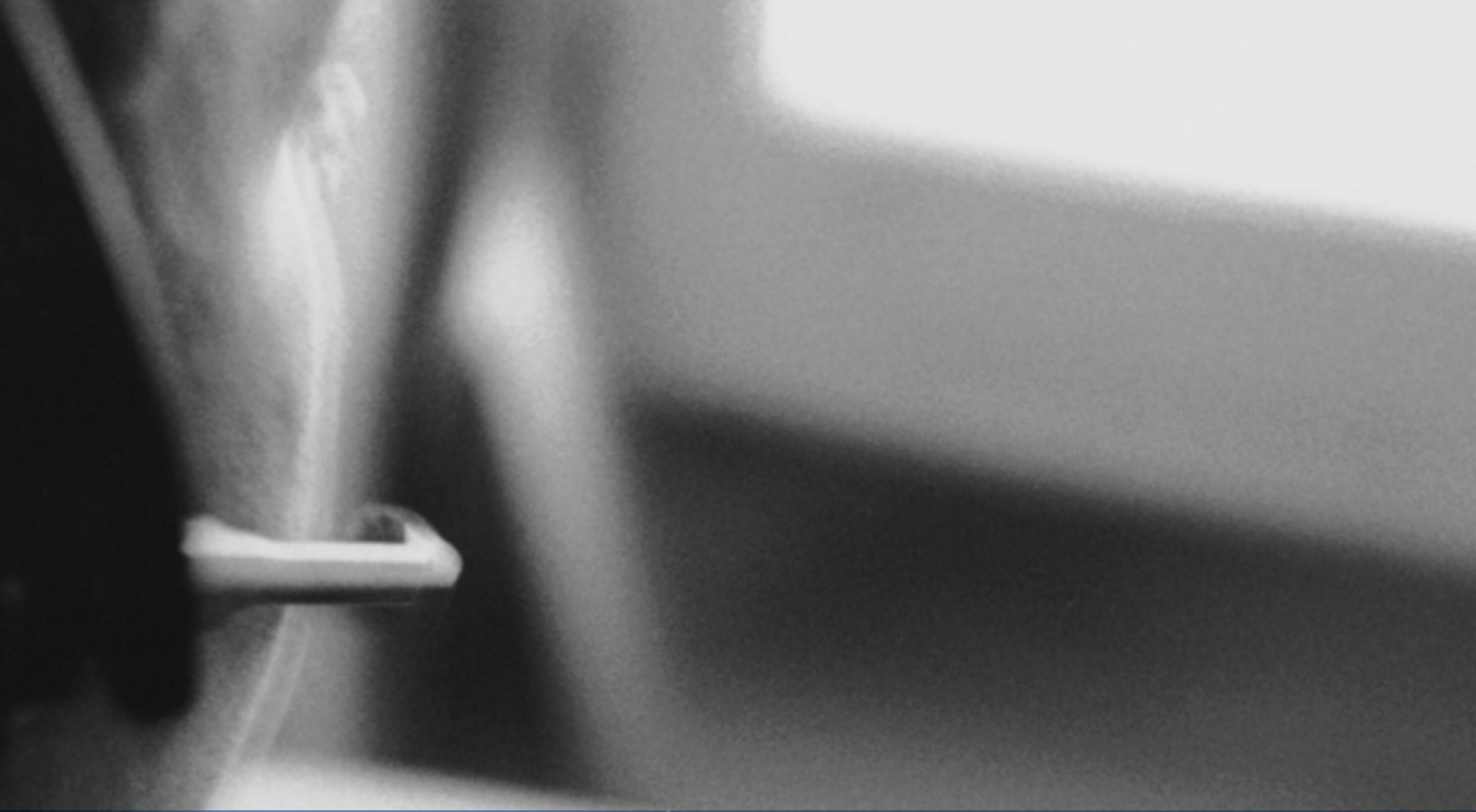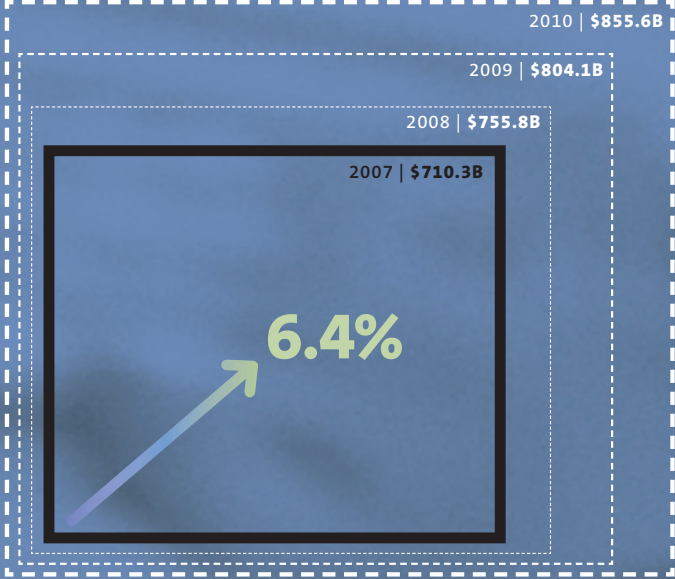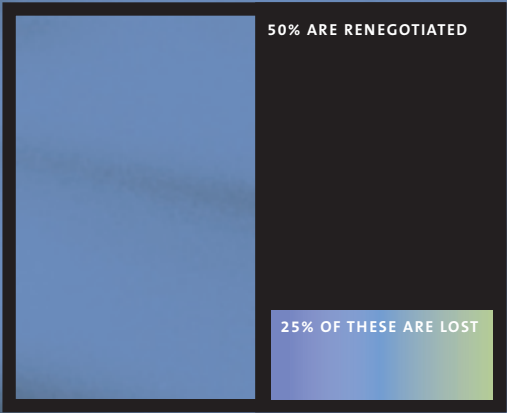
Improve your
eSourcing Capability

Understanding and Using the eSourcing Capability Models

Carnegie Mellon

CONTRACTS

50% ARE RENEGOTIATED

25% OF THESE ARE LOST

2010 | **$855.6B**

2009 | **$804.1B**

2008 | **$755.8B**

2007 | **$710.3B**

6.4%

RISK & OPPORTUNITY

Maximize profits, minimize risks, and build long-term sourcing relationships.

The eSourcing Capability Models (eSCMs) contain best practices designed to make these goals possible for both service providers and client organizations.

The evolution of the Internet and the global telecommunications infrastructure presents eSourcing clients with a choice of service providers located anywhere in the world. As a result, competition is getting more aggressive in IT market spaces. This competition puts pressure on these organizations to move their non-core competencies out-of-house or to shared services to minimize risk. They aim to find the most cost-effective services they need while maintaining or improving their quality of service or transforming their operations.

This new focus has resulted in creating a large number of service providers offering solutions and engaged in Business Process Outsourcing (BPO). Of these providers, some are more qualified than others, but without a standard by which to evaluate them, clients make value decisions in a variety of nonstandard ways. The result of this situation is that one-eighth of all contracts fail due to unmet expectations between clients and service providers.[1]

At the same time, "worldwide end-user spending on IT services will grow at a 6.4% compound annual growth rate through 2010 to reach $855.6 billion, with positive growth in nearly all market segments,"[2] thereby increasing the competition among providers. Service providers are competing in an increasingly large market with only a portfolio of previous clients and past experience to differentiate themselves.

1 Gartner Group. "Dataquest's 1999-2004 Market Forecast for Business Process Outsourcing (BPO)."
2 Babaie, Ellie, et. al. "Forecast: IT Services, Worldwide, 2003-2010 (Update)," 30 November 2006, Gartner Report ID Number: G00144709

The ITSqc develops quality models and qualification methods for organizations involved in eSourcing.

To help organizations succeed in the face of these challenges, the ITSqc creates "best practices" capability models for both sides of the eSourcing relationship.

ITSqc develops capability models to improve the relationship between service providers and their clients. The eSourcing Capability Model for Service Providers (eSCM-SP) v2 was released in April 2004. We developed and released the eSourcing Capability Model for Client Organizations (eSCM-CL) v1.1 in September of 2006.

Barriers to Successful Sourcing Relationships
Managing and meeting client expectations is a major challenge in these business relationships, and examples of failure abound. The eSourcing relationships between clients and their service providers must overcome many challenges to be successful.

The eSCM-SP focuses on improving the capabilities of the eSourcing Service Provider.

The eSourcing relationship challenges include:

- Clients often have little experience in outsourcing and have no standard criteria for selecting a provider.
- Success criteria for the relationship are not well understood or agreed upon up front by both parties.
- Clients' expectations often change as the nature of the services change, due to rapid shifts in technology and tools, and providers are not always able to keep up with those changes.
- The necessary trade-offs between the service's quality, speed, and cost are not always articulated and understood.
- The transfer of personnel, equipment, and knowledge between the client and service provider is often problematic.
- Service providers often have trouble analyzing and reporting their progress in terms that are meaningful for clients.
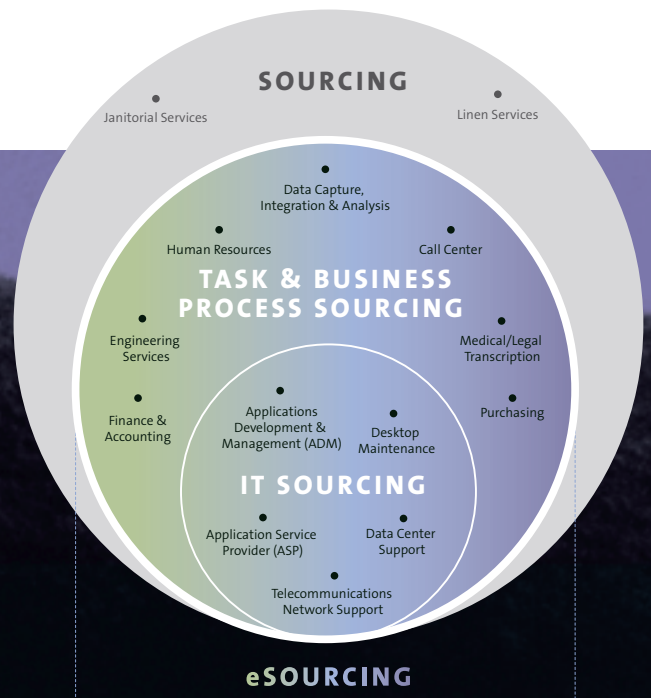
What is eSourcing?

We use eSourcing to refer to IT-enabled sourcing, that is, service delivery that uses information technology as a key component or as an enabler. Its services are commonly provided remotely, using telecommunication or data networks, and they range from routine, non-critical tasks that are resource intensive and operational in nature to strategic business processes that directly impact revenues.

Service providers use information technology as a key component of, or as an enabler for, delivering their services. These services include desktop maintenance, data-center support, and applications management, as well as BPO services such as human resources, call centers, engineering services and finance and accounting.

Types of sourcing services

The middle two circles, IT Sourcing and Task & Business Process Sourcing, are covered by eSourcing. The outer circle, Sourcing, is not primarily focused on eSourcing.

SOURCING

Janitorial Services — Linen Services

Data Capture, Integration & Analysis

Human Resources — Call Center

TASK & BUSINESS PROCESS SOURCING

Engineering Services — Medical/Legal Transcription

Finance & Accounting

Applications Development & Management (ADM) — Desktop Maintenance — Purchasing

IT SOURCING

Application Service Provider (ASP) — Data Center Support

Telecommunications Network Support

eSOURCING

The eSCM-CL does the same for client organizations.

The eSCM-SP: A Comprehensive Solution for eSourcing

The eSCM-SP helps sourcing organizations manage and reduce their risks and improve their capabilities across the entire sourcing life-cycle. The eSCM-SP was developed specifically to address the difficulties in providing eSourcing services. The Model's Practices can be thought of as the best practices associated with successful sourcing relationships. It addresses the critical issues related to IT-enabled sourcing (eSourcing).

Service providers use the eSCM-SP and its accompanying capability determination methods to evaluate their eSourcing capabilities, and to become eSCM-SP-certified. This status provides an advantage over their competitors.

Each of the Model's 84 Practices is distributed along three dimensions: Sourcing Life-cycle, Capability Areas, and Capability Levels.

Most quality models focus only on delivery capabilities, but the eSCM-SP's Sourcing Life-cycle includes not only delivery, but also Initiation and Completion of contracts.

The eSCM-SP has been designed to complement existing quality models so that service providers can capitalize on their previous improvement efforts. The Model's structure complements most existing quality models such as ISO-9000, ITIL/ISO 20000,

ISO 17799, the CMMs®, COBIT® and COPC-2000®, so it can be implemented in parallel with these other frameworks. A series of documents comparing the eSCM-SP with other models and standards is in production and available from the ITSqc website at http://itsqc.cmu.edu/downloads.

Since it is a set of best practices, the eSCM-SP supports the organization's risk-reduction activities and provides a set of Capability Determination Methods for systematically assessing and improving its capabilities. Becoming certified in the eSCM-SP gives the provider a competitive edge. Client organizations then have an objective measure of providers' capabilities, allowing them to make informed selection and monitoring decisions.

The eSCM-SP offers a five-level improvement path that service providers can travel to enhance value and sustain excellence over time. Achieving a higher level of capability brings new levels of client trust as it improves the provider's organizational efficiency.
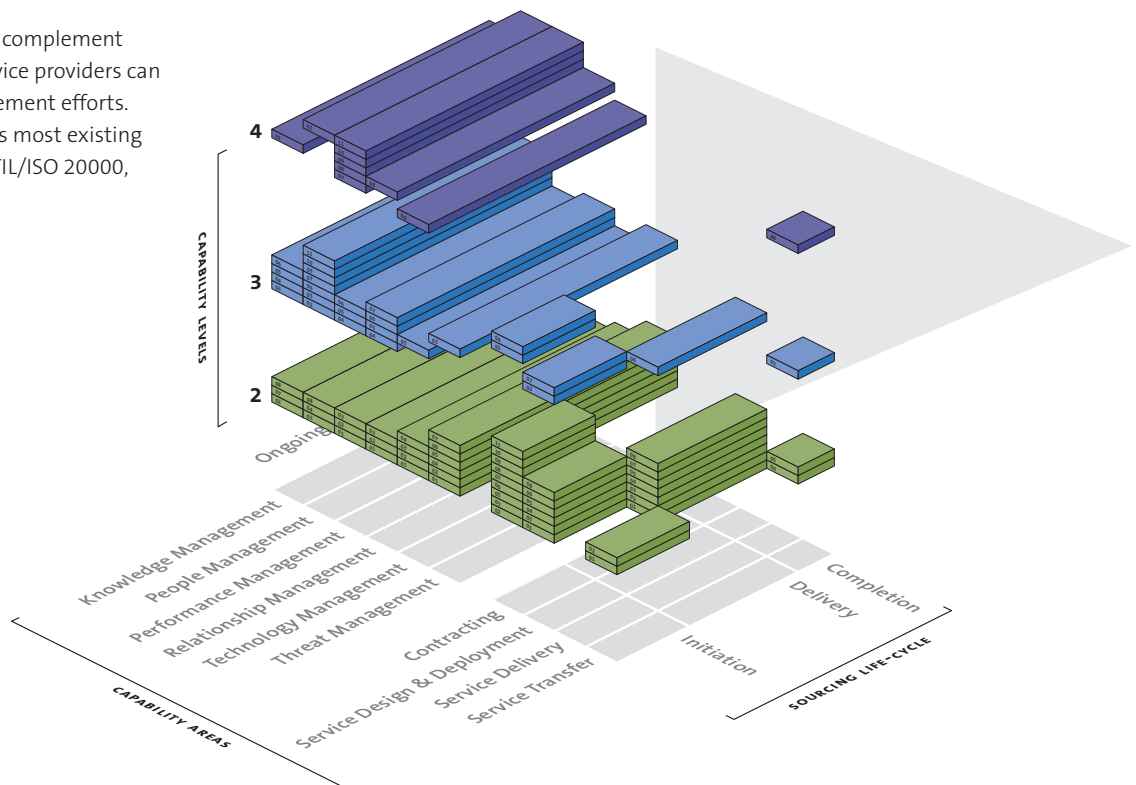
The eSCM-SP v2

The eighty-four eSCM-SP v2 Practices are arranged within three dimensions: Sourcing Life-cycle, Capability Areas, and Capability Levels.
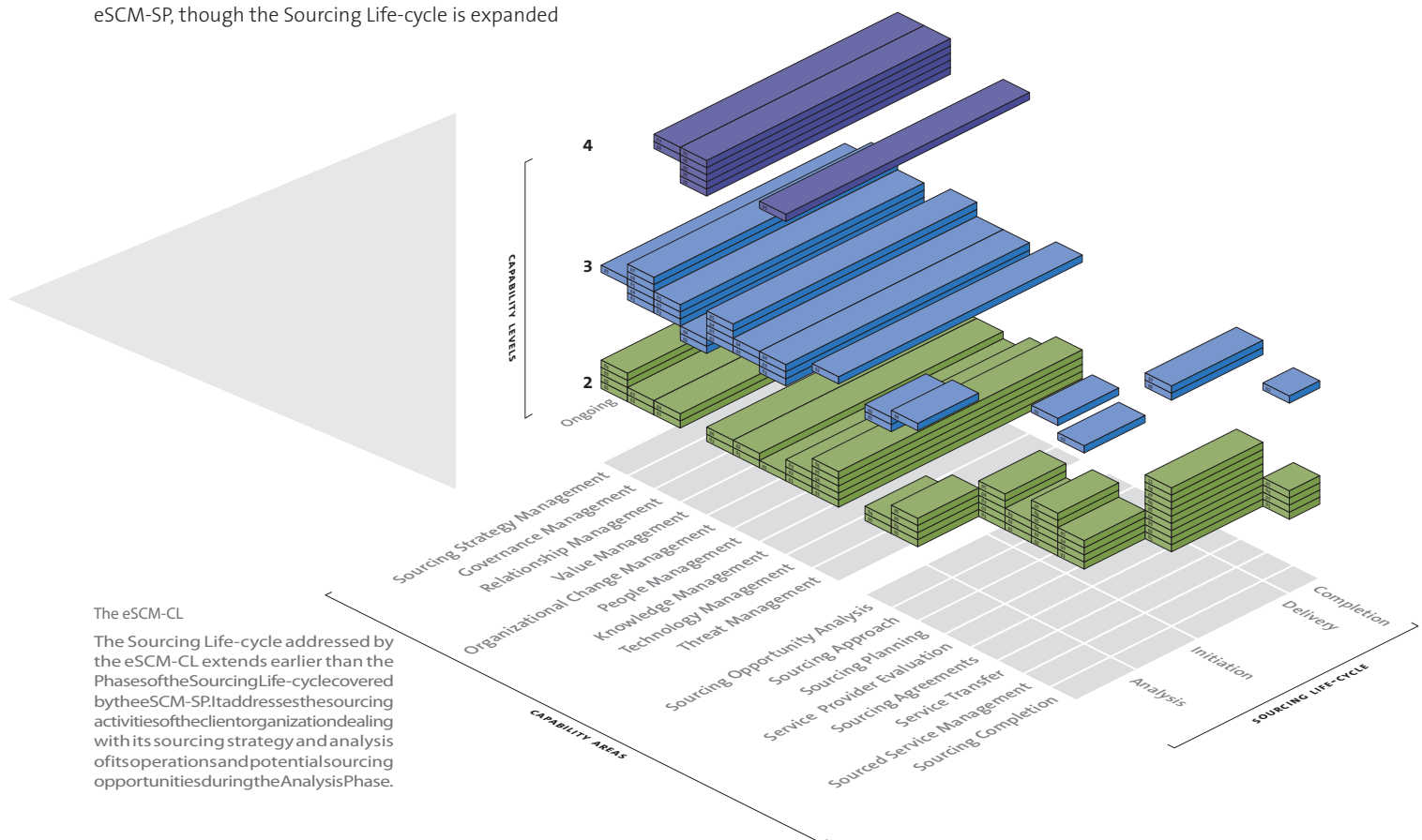
The eSCM-CL: Completing the Relationship

In order to address both aspects of the eSourcing relationship, the ITSqc has developed the eSCM for Client Organizations (eSCM-CL), which addresses the challenges of sourcing relationships from the client's perspective. Existing frameworks do not comprehensively address the best practices needed by client organizations to successfully source IT-enabled services. Our investigation shows that most current quality models do not address all phases of the client's sourcing process.

The eSourcing Capability Model for Client Organizations (eSCM-CL) addresses a full range of client organization tasks—developing the organization's sourcing strategy, planning for sourcing and service provider selection, initiating the agreement, managing service delivery, and completing the service. The eSCM-CL is complementary to the eSCM-SP; it contains client-focused counterparts to more than half of the eSCM-SP Practices. Each Practice in the eSCM-CL is distributed along the same three dimensions as the eSCM-SP, though the Sourcing Life-cycle is expanded

to cover activities the client must perform, such as establishing a sourcing strategy, identifying potential service providers, developing a sourcing approach, and activities later in the sourcing relationship dealing with assuring alignment and value from sourcing activities.

The eSCM-CL enables client organizations to appraise and improve their capability to develop more effective relationships, to better manage these relationships, and to experience fewer failures in their eSourcing relationships. The eSCM-CL capability determination methods indicate the client organization's current capabilities and can highlight areas where internal improvement efforts can be focused. A client organization can also pursue ITSqc-authorized certification in the eSCM-CL to demonstrate their capability level.
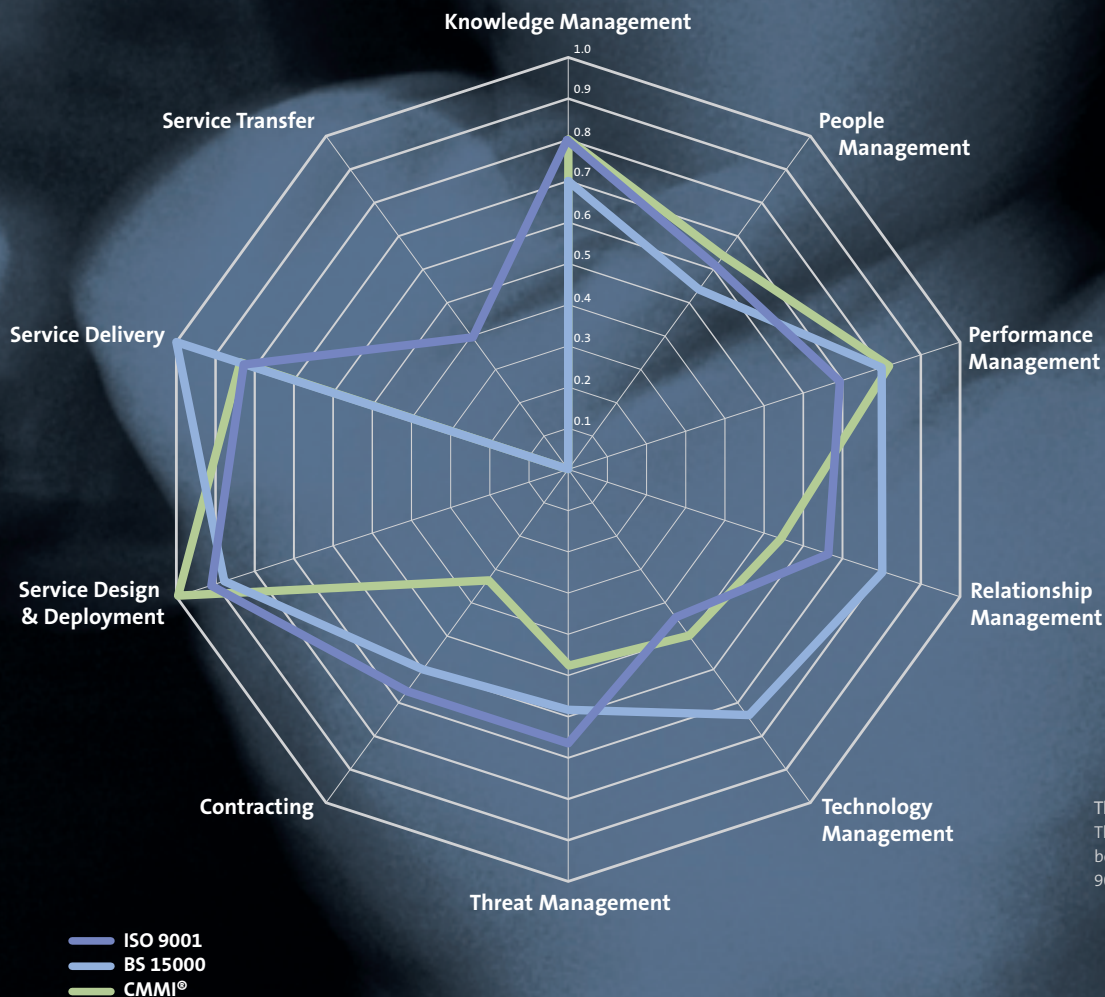

The eSCM-CL

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

Complementary to other quality models

The eSCM models are designed to be complementary to existing quality models. This allows organizations to capitalize on their existing improvement and compliance efforts. Many organizations that have invested in quality and compliance efforts using other standards can find best practices for their sourcing activities in the eSCM models. Existing standards like the CMMI® or ISO do not address all the critical issues unique to sourcing engagements.

The eSCM models cover the full sourcing life cycle, beginning with the client's strategy for eSourcing, moving through initiation into delivery and, eventually, into completion activities. Many other frameworks focus on delivery, although the roots of many sourcing difficulties often lie elsewhere.

There is substantial overlap and supporting relationships between eSCM and other standards for many activities. The figure below represents the common ground between eSCM-SP and key models: ISO 9001, BS 15000 (ISO 20000), and CMMI. While other models typically do not well address the strategy, initiation and completion phases of sourcing relationships that are so crucial for success, the eSCM models provide guidance in all the critical phases of the sourcing life cycle.

The Common Ground
This figure represents the common ground between eSCM-SP and key models: ISO 9001, BS 15000 (ISO 20000), and CMMI.

Legend:
- ISO 9001
- BS 15000
- CMMI®

Using the eSCM Models for Improvement and Certification

Organizations can make use of the eSCM models in several ways:

Best Practices
By applying the best practices in the models to overcome many of the shortcomings and risks seen today throughout the industry.

Internal Improvement
By systematically using the model as a guide for self-appraisal to understand their current capabilities, organizations will gain an understanding of opportunities for improvement in their capabilities.

Market Differentiation
By undergoing a rigorous, third-party evaluation for certification, organizations can be certified by ITSqc at Capability Level 2, 3, 4 or 5. Service providers will be able to demonstrate to potential clients that they have a certain level of capability. This will help them to position themselves against competitors. Client organizations may signal to potential providers that they should incur less risk when working for a high-performing customer.

Four determination methods are typically used to indicate an organization's current capabilities and can be used to define targets for self-improvement (full or mini self- appraisal or mini or full evaluation). The fifth method is the ITSqc authorized, independent, third party evaluation to acquire eSCM-SP certification.

Certification
The purpose of the eSCM certification program is to provide a credible, independent, and reliable way to determine compliance with the eSCM Models. Certification can be achieved by service providers and client organizations.

ITSqc has trained and authorized numerous, independent third-party organizations to support appraisals and evaluations. They function in accordance with an established Code of Professional Practice. By using the ITSqc's proven capability determination methods, organizations can evaluate their current capabilities.

Certification by ITSqc provides assurance that organizations have the appropriate set of capabilities in place to meet their commitments today and move forward to meet tomorrow's needs. Certificates last for at most two years and current certificates are listed on the ITSqc website. Each certificate describes important information about the organizational boundaries and Model scope of the certification. Certification represents a commitment by an organization to maintain their eSCM implementation for the duration of the certificate.
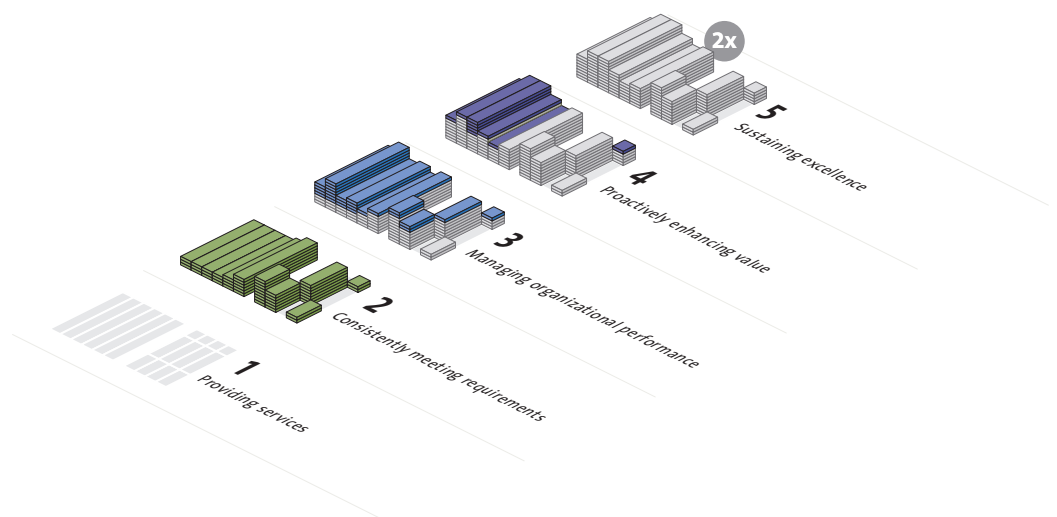
The eSCM Certification

Both the eSCM-CL and the eSCM-SP offer certification programs. Upon completion of the evaluation and the award of a certification level, service providers and clients are given official certificates and certification marks (shown above) to display on contracts and other sales and marketing information.

eSCM-CL 5
Certified Client Organization

eSCM-SP 2
Certified Service Provider

The eSCM-SP Capability Levels

The five eSCM-SP Capability Levels indicate the level of an organization's capability. Level 1 indicates that a service is being provided. A Level 2 organization has procedures in place to enable them to consistently meet their clients' requirements. At Level 3, an organization is able to deliver services that are outside of its experience. Level 4 requires that an organization is able to add value to its services through innovation. Service providers at Level 5 have proven that they can sustain excellence over a period of at least two years. The eSCM-CL has comparable Capability Levels.

1 Providing services
2 Consistently meeting requirements
3 Managing organizational performance
4 Proactively enhancing value
5 Sustaining excellence
2x

Getting Involved with the ITSqc

ITSqc welcomes individuals and organizations who wish to contribute to the development of the eSCM, both for service providers (eSCM-SP) and for clients (eSCM-CL). There are several levels of involvement available, including programs for visiting industry scholars, model reviewers, pilot sites, and consortium members.

Consortium members receive numerous benefits including participation in the ITSqc advisory board, priority as pilot sites, discounts for training and direct contact with ITSqc professionals. Consortium members work with ITSqc to create capability models, become authorized evaluators, and develop a repository and benchmarks of best practices.

For more information on involvement at any of these levels please visit the ITSqc website at itsqc.cmu.edu or send email to escm@cmu.edu.

Professional Education
ITSqc offers courses that cover the concepts, terminology, and structure of the eSCM models, as well as the methods used to compare an organization to them. We also train individuals who wish to become authorized evaluators and qualified eSCM consultants.

Read Our Reports
In addition to providing information about the Center, authorized evaluators, and certified organizations, the ITSqc website (itsqc.cmu.edu) allows you to download copies of the eSCM-SP v2, comparisons with other frameworks, and other working papers.

About ITSqc
Carnegie Mellon University's IT Services Qualification Center (ITSqc) 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.

About Carnegie Mellon University
Carnegie Mellon University is a global research university of about 7,500 students and 3,000 faculty, research, and administrative staff. The institution was founded in 1900 in Pittsburgh by industrialist and philanthropist Andrew Carnegie, and it has become a leader in fields such as computer science and business.

Contact ITSqc
The eSCM models, technical reports and information about certification and appraisal are available from our website. Other requests, including requests for hard-copy versions of the eSCM-SP v2 and eSCM-CL v1.1, can be submitted to the ITSqc.

IT Services Qualification Center
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Pittsburgh, PA 15213 USA

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escm@cmu.edu

The eSCM-SP v2 and The eSCM-CL v1.1

Printed copies of the complementary models are available for sale from the ITSqc at Carnegie Mellon via our website. Electronic copies of each of the Model documents can be downloaded from the ITSqc website. For more information visit http://itsqc.cmu.edu

The eSourcing Capability Models

ITSqc Consortium Members*
as of April 07

accenture
High performance. Delivered.

ca.

DBA

Deloitte.

EDS

hp
invent

IBM

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itSMF
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* Other members are under non-disclosure.

Satyam Computer Services is the Founding Member of the Consortium.
IBM is a registered trademark of International Business Machines Corporation.

ITSqc

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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.