Mark C. Paulk, Ph.D.

- Led the team that developed the Capability Maturity Model for Software at the Software Engineering Institute
- Co-project manager for the reference model in ISO/IEC 15504 (Process Assessment)
- Co-author of the eSourcing Capability Model for Service Providers
- 24+ years at the Software Engineering Institute and Carnegie Mellon University’s Institute for Software Research
- Fellow of the ASQ; Certified Software Quality Engineer; Senior Member of IEEE
Sourcing Is Common

- 73% of organizations are involved in outsourcing, making it the fourth most commonly used management tool.
  - Only 33% of organizations use offshoring
  - Of large organizations,
    - 85% use outsourcing, but
    - Only 51% use offshoring

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


eSourcing

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

- Criteria for success are not well understood or agreed up front.
- Trade-offs between providing better service, faster service, or cheaper service are not always fully articulated.
- Clients often have little experience in outsourcing and so have no standard criteria for service provider selection.
- Clients frequently lack expertise to manage relationships and risks throughout the sourcing life cycle.

Critical Issues for eSourcing -1

Good relationships are the foundation for success

- Establishing and maintaining trust with stakeholders
- Ensuring the effectiveness of interactions with stakeholders
- Managing cultural differences between stakeholders
- Managing stakeholder expectations
- Managing supplier and partner relationships to ensure that commitments are met
- Monitoring and managing clients’ and end-users’ satisfaction
Retaining a motivated workforce is key

- Managing employee satisfaction, motivation, and retention
- Building and maintaining the competencies that enable personnel to effectively perform their roles and responsibilities
- Establishing and maintaining an effective work environment

Well defined and delivered services

- Establishing well-defined contracts with stakeholders, including clients, suppliers, and partners
- Translating implicit and explicit needs into defined requirements with agreed-upon levels of quality
- Reviewing service design and deployment to ensure an adequate coverage of the requirements
- Monitoring and controlling activities to consistently meet the service delivery commitments
Critical Issues for eSourcing -4

Managing common business threats is expected

- Managing rapid technological shifts and maintaining the availability, reliability, accessibility, and security of technology
- Managing clients’ security
- Ensuring compliance with statutory and regulatory requirements

Critical Issues for eSourcing -5

World-class services, always improving

- Capturing and using knowledge
- Measuring and analyzing the reasons for termination, to prevent reoccurrence
- Maintaining a competitive advantage
- Innovating, building flexibility, and increasing responsiveness to meet unique and evolving client requirements
Critical Issues for eSourcing -6
Managing service transitions well

- Smoothly transferring services and resources
- Maintaining continuity of the service delivery
- Capturing and transferring knowledge gained to the client during contract completion

Critical Issues for eSourcing -7
Managing from the Client Perspective

- Establishing a strategy for the organization’s sourcing activities
- Being an informed buyer of eSourcing services
- Actively managing sourcing risks
Existing Quality Frameworks

<table>
<thead>
<tr>
<th>Category</th>
<th>Framework/Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing (service providers/clients)</td>
<td>eSourcing Capability Models</td>
</tr>
<tr>
<td>Software/systems development</td>
<td>CMM® for Software, CMMI®</td>
</tr>
<tr>
<td>Human capital management</td>
<td>People CMM®</td>
</tr>
<tr>
<td>Quality management</td>
<td>ISO 9001: 2000</td>
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<tr>
<td>Data-driven decision making</td>
<td>Six Sigma®</td>
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<tr>
<td>Infrastructure management</td>
<td>ISO® 20000/BS15000/ITIL®</td>
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<tr>
<td>Information security management</td>
<td>ISO/IEC 17799, 27001</td>
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<tr>
<td>Customer-centric service delivery</td>
<td>COPC-2000®</td>
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<tr>
<td>Generally accepted IT control objectives</td>
<td>COBIT®</td>
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Key Related Frameworks

- IT Service Management
  - ISO 20000 / IT Infrastructure Library
  - CMMI for Services

- Sourcing and Service Management
  - eSourcing Capability Model for Service Providers
  - eSourcing Capability Model for Client Organizations
**eSCM Origins**

- The eSCMs and related training courses were originally developed by the ITSqc (Information Technology Services Qualification Center) at Carnegie Mellon University.
- Funding for this work at Carnegie Mellon was provided by Consortium Members and sponsors, including Accenture, CA, COPPE/UFRJ, DBA, Deloitte, EDS, HP, IACCM, IAOP, IBM, itSMF Brasil, itSMF US, La Poste, Mellon Financial Services, Outsourcing Institute, Phoenix Health Systems, Satyam, STQC (Gov’t of India), TPI, and others under NDA.

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

Five Capability Levels

- Level 1: Providing services
- Level 2: Gradually meeting requirements
- Level 3: Managing organizational performance
- Level 4: Proactively enhancing value
- Level 5: Sustaining excellence

### eSCM-SP Structure

<table>
<thead>
<tr>
<th>Sourcing Life-cycle</th>
<th>Capability Area</th>
<th>Capability Level</th>
<th>Totals</th>
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<tbody>
<tr>
<td>51 Ongoing</td>
<td>Knowledge Management</td>
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<td>Threat Management</td>
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<tr>
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<td>9 2</td>
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<tr>
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<td>Service Design and Deployment</td>
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<tr>
<td></td>
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<tr>
<td>8 Delivery</td>
<td>Service Delivery</td>
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<tr>
<td>4 Completion</td>
<td>Service Transfer (out)</td>
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<td><strong>TOTALS</strong></td>
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**eSCM-CL Structure**

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<tr>
<th>Sourcing Life-cycle</th>
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<td>Value Management</td>
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<tr>
<td>Totals</td>
<td></td>
<td>58</td>
<td>29</td>
<td>8</td>
<td>95</td>
</tr>
</tbody>
</table>

**Sourcing at LaPoste**

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

- Authorized organizations and professionals trained by ITSqc perform evaluations for certification
  - Authorized lead evaluators and evaluators on website since mid 2003
  - First evaluations for certification completed during 2003
- ITSqc's Certification Board reviews data and issues certificates for service providers indicating:
  - span of organization being certified (sites)
  - duration of certification
  - service area(s) being certified
- ITSqc website provides clients with a list of certified organizations
  - Certifications are valid for two years

ISO 20000
(IT Service Management)

- ISO/IEC 20000-1 promotes the adoption of an integrated process approach to effectively deliver managed services to meet the business and customer requirements:
- Planning and Implementing Service Management, Requirements for a Management System, Planning & Implementing New or Changed Services, Service Delivery Processes, Relationship Processes, Control Processes, Resolution Processes, Release Process
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IT Infrastructure Library v3

• M. Iqbal and M. Nieves. *ITIL Service Strategy.*
• V. Lloyd and C. Rudd. *ITIL Service Design.*
• S. Lacy and I. Macfarlane. *ITIL Service Transition.*
• D. Cannon and D. Wheeldon. *ITIL Service Operation.*
• G. Spalding and G. Case. *ITIL Continual Service Improvement.*

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ITIL vs eSCM

• ITIL is about service management and eSCMs are about sourcing capabilities
  • Each is from a different perspective
  • If you are doing service management, use ITIL
  • If you are doing sourcing, use eSCM
  • If you are doing service management in a sourcing context, use ITIL and eSCM
• ITIL provides *basic* guidance on sourcing options and suppliers from a service management perspective
• eSCMs provide comprehensive guidance on the development and improvement of sourcing capabilities
• Supplier management is but one aspect of a complete set of sourcing capabilities
• ITIL has neither defined capability levels nor the means for evaluating organizational capabilities
  • ISO 20000-1 provides for certification
• ITIL recommends the use of eSCM for a more diligent approach to sourcing
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eSCM Coverage of ISO 20000-1

Section 3
Requirements for a Management System

Section 4
Planning & Implementing Service Management

Section 5
Planning & Implementing New or Changed Services

Section 6
Service Delivery Process

Section 7
Relationship Processes

Section 8
Resolution Processes

Section 9
Control Processes

Section 10
Release Process

ISO 20000-1 Coverage of eSCM-SP

kmw - Knowledge Management
tfr - Service Transfer
ppl - People Management
prf - Performance Management
del - Service Delivery
sdd - Service Design & Deployment
rel - Relationship Management
cnt - Contracting
ich - Technology Management
thr - Threat Management
CMMI for Services

- CMMI-DEV, CMMI-SVC, and CMMI-ACQ v1.3 are three CMMI constellations
- For organizations already using one of the other CMMI models, CMMI-SVC is a logical choice
- Focus is on IT service management, similar to ITIL

Maturity Level 1
Initial

- Processes are usually ad hoc and chaotic.
- Success depends on the competence and heroics of the people in the organization.
Maturity Level 2
Managed

- Work groups establish the foundation for an organization to become an effective service provider by institutionalizing selected Project and Work Management, Support, and Service Establishment and Delivery processes.

- Process Areas: 8
  - Configuration Management (CM), Measurement and Analysis (MA), Process and Product Quality Assurance (PPQA), Requirements Management (REQM), Supplier Agreement Management (SAM), Service Delivery (SD), Work Monitoring and Control (WMC), Work Planning (WP)

Maturity Level 3
Defined

- Service providers use defined processes for managing work. Standards, process descriptions, and work procedures are tailored from the organization’s set of standard processes to suit a particular work group or organizational unit.

- Process Areas: 12
  - Capacity and Availability Management (CAM), Decision Analysis and Resolution (DAR), Incident Resolution and Prevention (IRP), Integrated Work Management (IWM), Organizational Process Definition (OPD), Organizational Process Focus (OPF), Organizational Training (OT), Risk Management (RSKM), Service Continuity (SCON), Service System Development (SSD), Service System Transition (SST), Strategic Service Management (STSM)
Maturity Level 4
Quantitatively Managed

- Service providers establish quantitative objectives for quality and process performance and use them as criteria in managing processes.

- Process Areas: 2
  - Quantitative Work Management (QWM), Organizational Process Performance (OPP)

Maturity Level 5
Optimizing

- An organization continually improves its processes based on a quantitative understanding of its business objectives and performance needs.

- Process Areas: 2
  - Causal Analysis and Resolution (CAR), Organizational Performance Management (OPM)
eSCM-SP Capability Areas
Ongoing (Management) -1

- Knowledge Management: managing information and knowledge systems
- People Management: managing, retaining and motivating personnel to effectively deliver services
- Performance Management: Management of the organization's performance to ensure that the client's requirements are being met, that the organization is continually learning from its experience, and that the organization is continually improving across engagements
eSCM-SP Capability Areas
Ongoing (Management) -2

- Relationship Management: Actively managing relationships with stakeholders, including clients, suppliers and partners, who are integral to the delivery of services to the client
- Technology Management: Managing the availability and adequacy of the technology infrastructure used to support delivery of service
- Threat Management: Identifying, and actively managing, threats to the organization’s ability to meet its objectives and the client’s requirements

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eSCM-SP Capability Areas
Sourcing Life-cycle Phase Specific

- Contracting: Effectively managing the process of gathering client requirements, analyzing them, and negotiating a formal agreement that describes how the service provider will meet those requirements
- Service Design & Deployment: Translating the client requirements and contract language of “what” will be provided into a detailed design for “how” it will be provided. Then, effectively deploying that design
- Service Delivery: Ongoing delivery of service according to the commitments made to the client, based on the service design
- Service Transfer: Transferring resources between the service provider and the client, or another service provider
eSCM-CL Capability Areas
Ongoing (Management) -1

- Sourcing Strategy Management: determining the sourcing strategy and setting organizational objectives or goals for sourcing
- Governance Management: establishing organizational structure for sourcing and organizational process management for sourcing processes and procedures
- Relationship Management: establishing and managing long-term relations with the service providers, and developing relationships with service providers

eSCM-CL Capability Areas
Ongoing (Management) -2

- Value Management: fostering and managing the culture of continuous improvement so that the client derives value from the sourcing relationship, and ensuring ongoing alignment of the sourcing strategy and the organization’s sourcing performance with the organization’s objectives
- Organizational Change Management: change management processes to guide the client’s adoption of new systems (organizational and technological) and new ways of achieving business objectives through sourcing
- People Management: providing and managing skilled resources and the necessary environment for the organization’s sourcing activities
Ongoing (Management) -3

- Knowledge Management: managing information and knowledge systems so that personnel have easy access to the knowledge needed to effectively perform their sourcing work
- Technology Management: monitoring and managing the technology infrastructure
- Threat Management: identifying and actively managing threats to the client organization’s ability to meet its business and sourcing objectives and requirements

Sourcing Life-cycle Phase-specific (Analysis)

- Sourcing Opportunity Analysis: functional analysis of the current operations of the organization and identification of potential functions, processes or services that could be sourced
- Sourcing Approach: deciding on the type of sourcing for a specific sourcing opportunity
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eSCM-CL Capability Areas
Sourcing Life-cycle Phase-specific
(Initiation)

• Sourcing Planning: planning for implementation of the sourcing approach for a planned sourcing action
• Sourcing Provider Evaluation: soliciting potential service providers, screening the set of potential service providers, and selecting the preferred service providers
• Sourcing Agreements: carrying out service confirmation, negotiating terms and conditions of the agreements (including SLAs, etc), and entering into agreements with the selected service providers
• Service Transfer: successfully transferring resources between the client organization and its service providers

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eSCM-CL Capability Areas
Sourcing Life-cycle Phase-specific
(Delivery & Completion)

• Delivery
• Sourced Service Management: having the capability to manage service providers, and the issues and challenges that arise after the agreement has been reached

• Completion
• Sourcing Completion: transferring resources between the service provider and the client, or another service provider