eSourcing Capability Model for Service Providers (eSCM-SP)

The eSourcing Capability Model for Service Providers (eSCM-SP) acts as a guide for Sourcing Organizations to manage and reduce their risks and improve their capabilities across the entire sourcing life-cycle. The Model represents the best practices associated with successful sourcing relationships, addressing all the critical issues related to IT-enabled sourcing (eSourcing) for both outsourced and in-sourced (shared services) agreements. The Model's methods are equally beneficial for evaluating the Service Providers eSourcing capabilities and also offer them the chance to create a unique advantage in today's highly competitive market by becoming eSCM-SP certified thereby signifying their capability maturity status as a strong differentiating factor.

Introduction

The sourcing industry has matured over the years and continues to create value for organizations in today's globalised environment. Many outsourcing organizations have gained big rewards, enabling companies to focus on their core business and improve their organization's performance. Research shows that outsourcing has improved performance, given better service quality, access to better technology, faster turnaround of critical information, improved processes and lowered costs. With rapid improvements in technology and infrastructure, sourcing of IT enabled services (eSourcing) has become a critical component in an organization's strategy and plays a key role in its growth. The success of eSourcing depends on the client-service provider relationships and requires both to build capability to address the critical issues in the sourcing lifecycle.

The eSourcing Capability Model for Service Providers (eSCM-SP) provides a framework to strengthen client and provider relationships, cementing the partnerships and securing long-term success. The Model aims to:

- Provide service providers guidance that will help them improve their capability across the sourcing life-cycle
- Provide clients with an objective means of evaluating the capability of service providers, and
- Offer service providers a standard to use when differentiating themselves from competitors.

For the Clients:

The eSCM-SP can serve as a definitive guide for any organization embarking on its sourcing journey. It minimizes the risks related to BPO/ITES evaluation & selection process before the actual signing of contracts with outsourcing organizations. Clients opting to outsource a function or process would like to evaluate the service provider's capability and eSCM-SP is a very effective tool for such evaluation. By choosing a service provider who is certified under this model, a company opting to outsource can feel confident that the service provider has robust repeatable processes that assure predictable costs and quality levels. The model is also built on the principle that there is constant improvement in service quality and organizational capability.

For the Service Providers:

Service providers use the eSCM-SP and its accompanying Capability Determination methods to evaluate their eSourcing capabilities and to become eSCM-SP certified. This certification provides a competitive advantage in the market. eSCM-SP certification by a service provider is an assurance that the organization has the framework measuring service providers' capabilities and specifying their responsibilities to clients.
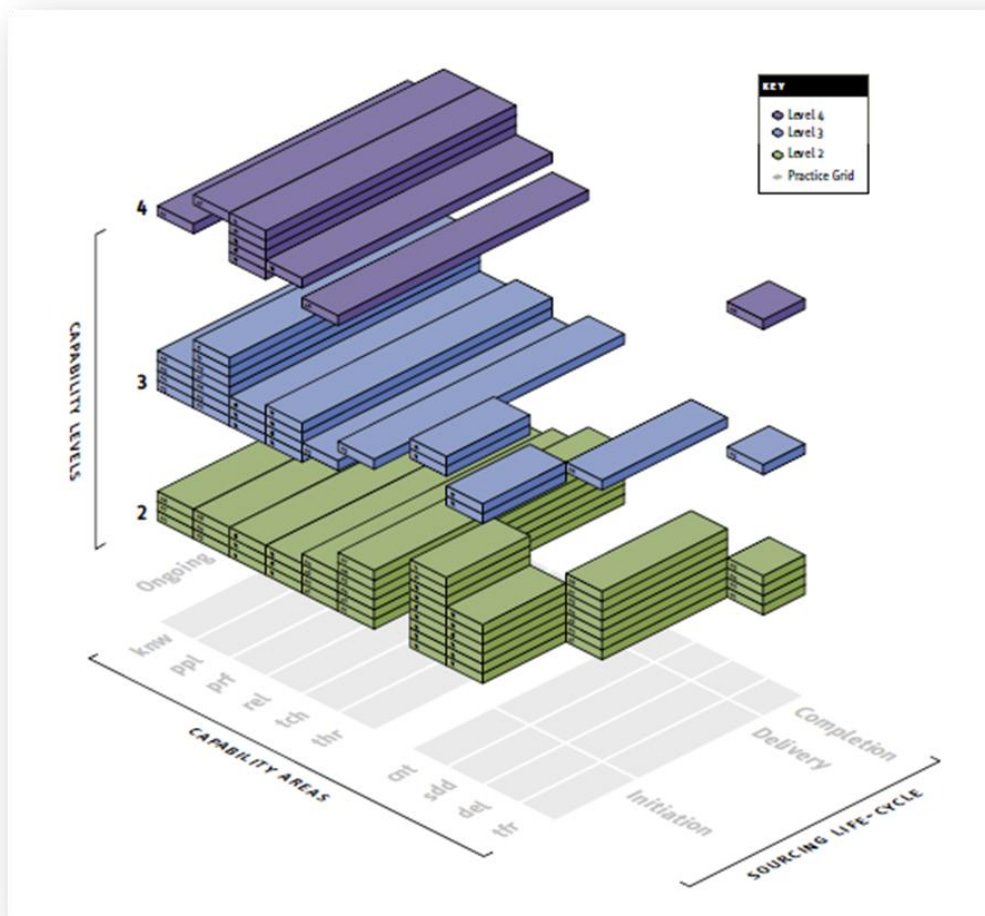
Overview of the eSCM-SP model

The eSourcing Capability Model for Service Providers comprises of 84 essential and desirable, service provider practices, which in combination provides a common framework and shared understanding about the capabilities, what the sourcing arrangement will deliver and how success will be measured. The eSourcing Capability Model incorporates process principles including policies, training, measurement, and verification, and uses evaluation methods that exceed the rigor of almost all other quality models. The model evaluates quality concerns unique to sourcing, many of which are not covered by other quality models. Most quality models focus only on design and delivery capabilities, but the eSCM-SP's Sourcing Life cycle includes not only delivery, but also Initiation and Completion of the contract as these phases

are often most critical to successful sourcing relationships. The eSCM-SP is designed to complement existing quality models so that service providers can capitalize on their previous improvement efforts. A series of documents comparing the eSCM-SP with other models and standards have been developed. The model applies to all contract negotiation, resource transition and reverse resource transition. The level structure used by this model accommodates changing business needs over the life of a sourcing agreement. Implementing the model will reduce delivery risk for the company choosing to outsource.

The eSCM-SP is composed of 84 Practices, which are the "best practices" that are associated with successful sourcing relationships. Each of the Model's 84 Practices is distributed along three dimensions:

- Sourcing Life Cycle – represents where in the Sourcing Lifecycle each Practice is most relevant
- Capability Area – represents a logical grouping of the Practices for better management
- Capability Level – represents the maturity path of service providers

Source: Carnegie Mellon University

Dimensions of the eSCM-SP model

Sourcing Life Cycle

Sourcing Life Cycle indicates the critical stages in the entire span of the sourcing relationship which enables the client organizations to evaluate the service providers' maturity over a period of time. Each Practice assumes greater importance at a specific stage of the Sourcing Cycle.
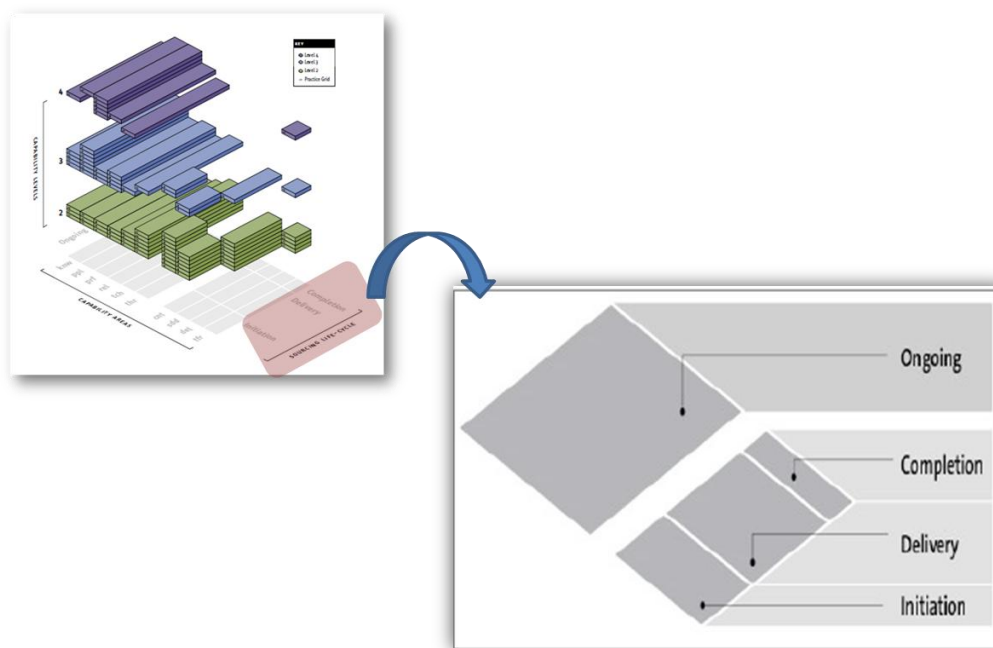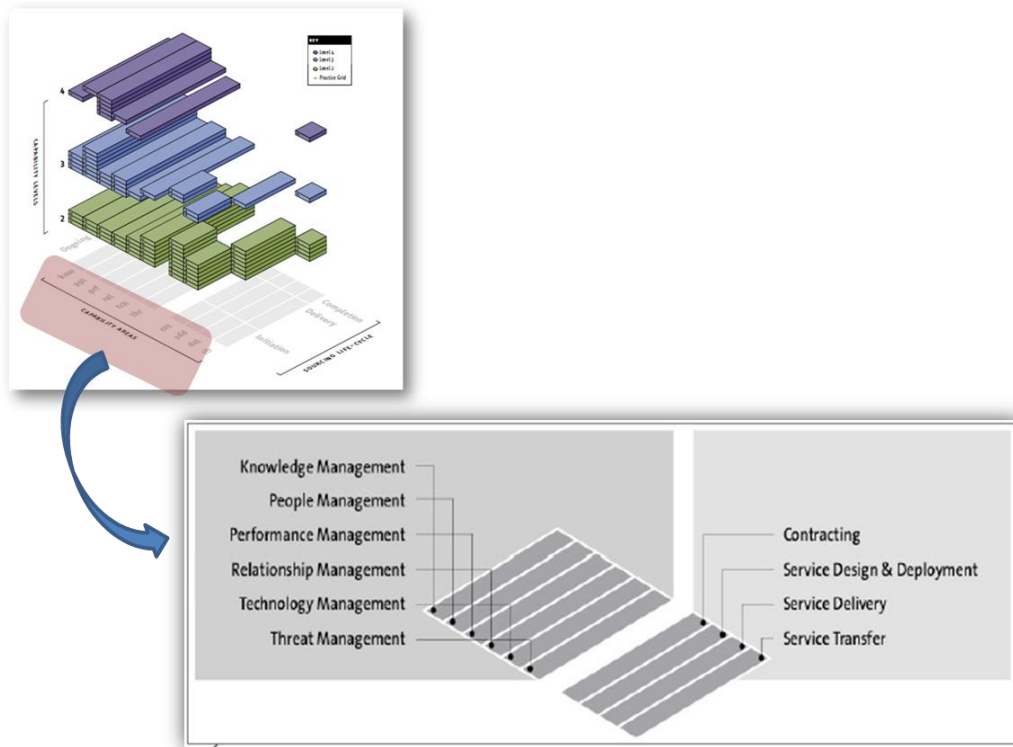

Source: Carnegie Mellon University

The Sourcing Life Cycle is divided into 4 stages (refer below table):

Sourcing Life Cycle Stage	Key Activities
Ongoing	• Manage relationships with stakeholders • Manage personnel • Measure and improve performance • Manage information and knowledge systems • Control threats • Manage technology infrastructure
Initiation	• Gather Requirements • Negotiate with clients • Contract finalisation • Design and Deploy Service
Delivery	• Manage Delivery of Service • Manage Finances
Completion	• Transition or Transfer of Resources

Capability Area

Capability Areas provide logical groupings of Practices to help manage the content of the Model. The 84 best practices are grouped across 10 key capability areas that are relevant for IT-enabled services & BPO organizations. As the Practices are interdependent, service providers need to build or demonstrate capabilities in each of these areas critical to the sourcing function to ensure sourcing issues do not arise. Any critical sourcing issue can be mapped to the Practices in these Capability Areas.

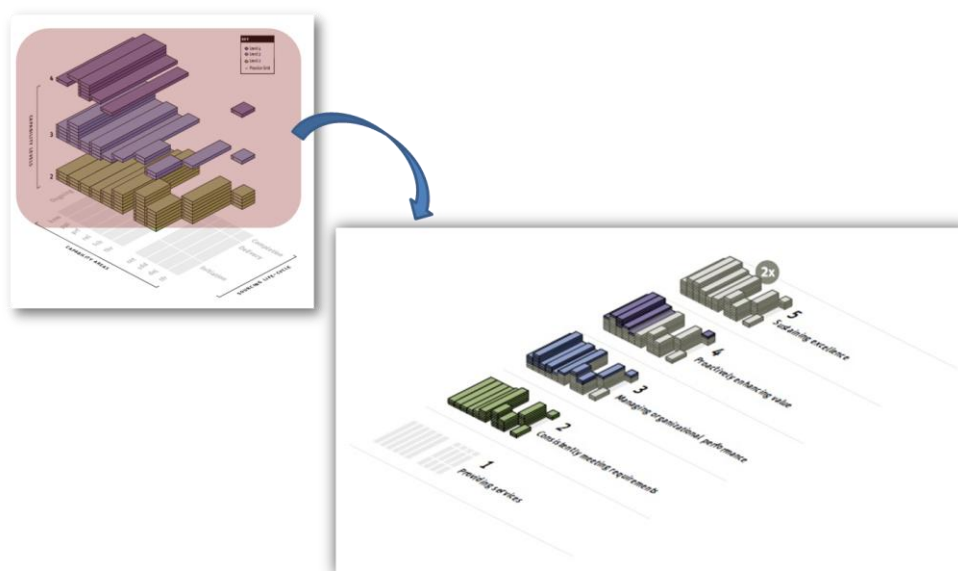*Source: Carnegie Mellon University*

Each Capability Area is linked to one or multiple stages of the Sourcing Life Cycle, has a specific number of Practices associated with it and focuses on certain key aspects. (Refer table below)

Capability Area	Sourcing Life-Cycle Stage	Number of Practices	Key Focus
Knowledge Management	Ongoing	8	• Create and manage engagement level and organization level knowledge assets
People Management	Ongoing	11	• Competency planning, recruitment, training and retention
Performance Management	Ongoing	11	• Improve engagement and service level performance through benchmarking and capability baselining

Technology Management	Ongoing	6	• Effectively manage the enabling technology infrastructure • Optimize and ensure high availability
Relationship Management	Ongoing	8	• Manage relationships with clients, suppliers and partners
Threat Management	Ongoing	7	• Mitigate risks from information security, business continuity • Protect intellectual property • Ensure statutory and regulatory compliance
Contracting	Initiation	11	• Initiate relationship • Develop requirements • Establish contract
Service Design and Deployment	Initiation	8	• Design personnel structures, processes and technology • Transition services from the client
Service Delivery	Delivery	8	• Ensure effective service delivery, with minimal disruption to service availability • Ensure adherence to service quality commitments
Service Transfer	Initiation Completion	6	• Manage both inward transition from the client as well as outward 'reverse' transition back to the client

Capability Level

The five eSCM-SP Capability Levels indicate the level of an organization's capability and set a path of improvement to be followed by a service provider to ensure successful sourcing relationship.

Source: Carnegie Mellon University

Capability Level	Capability Level Description	Number of Practices to be implemented	Organization's Maturity
Level 1	Providing Services	0 practices	Organization is providing a service
Level 2	Consistently Meeting Requirements	48 practices	Organization has procedures in place to enable it to consistently meet its clients' requirements
Level 3	Managing Organizational Performance	74 practices including Level 2 practices	Organization is able to not just focus on specific client engagements, but can manage its performance consistently across engagements through measurement driven reactive improvements done at an organizational level
Level 4	Proactively Enhancing Value	84 practices including Level 2 and Level 3 practices	Organization has capabilities to not just drive reactive improvement, but proactive value creation to its services through focus on innovation, benchmarking etc.
Level 5	Sustaining Excellence	84 practices over 2 years	Organizations have proven that they can sustain excellence over a period of at least two years

Each Level sets a higher capability target for the service provider to achieve. For example, on moving from Level 2 to 4, the emphasis changes from consistently meeting requirements within a single engagement, to managing performance across multiple engagements to proactively enhancing value.

eSCM-SP Practices Summary

The eSCM-SP Practices are described briefly, grouped by Capability Area and also reflecting the associated part of the Sourcing Life Cycle they belong to, and the related Capability Level

Capability Area	Practice ID	Brief Description	Sourcing Life Cycle	Capability Level
Knowledge Management	knw01	Share Knowledge	Ongoing	4
	knw02	Provide Required Information	Ongoing	2
	knw03	Knowledge System	Ongoing	3
	knw04	Process Assets	Ongoing	3
	knw05	Engagement Knowledge	Ongoing	3
	knw06	Reuse	Ongoing	3
	knw07	Version and Change Control	Ongoing	2
	knw08	Resource Consumption	Ongoing	2
People Management	ppl01	Encourage Innovation	Ongoing	4
	ppl02	Participation in Decisions	Ongoing	3
	ppl03	Work Environment	Ongoing	2
	ppl04	Assign Responsibilities	Ongoing	2
	ppl05	Define Roles	Ongoing	3
	ppl06	Workforce Competencies	Ongoing	3
	ppl07	Plan and Deliver Training	Ongoing	3
	ppl08	Personnel Competencies	Ongoing	2
	ppl09	Performance Feedback	Ongoing	3
	ppl10	Career Development	Ongoing	3
	ppl11	Rewards	Ongoing	3
Performance Management	prf01	Engagement Objectives	Ongoing	2
	prf02	Verify Processes	Ongoing	2
	prf03	Adequate Resources	Ongoing	2
	prf04	Organizational Objectives	Ongoing	3
	prf05	Review Organizational Performance	Ongoing	3
	prf06	Make Improvements	Ongoing	3
	prf07	Achieve Organizational Objectives	Ongoing	4
	prf08	Capability Baselines	Ongoing	4
	prf09	Benchmark	Ongoing	4
	prf10	Prevent Potential Problems	Ongoing	4
	prf11	Deploy Innovations	Ongoing	4

Capability Area	Practice ID	Brief Description	Sourcing Life Cycle	Capability Level
Relationship Management	rel01	Client Interactions	Ongoing	2
	rel02	Select Suppliers and Partners	Ongoing	2
	rel03	Manage Suppliers and Partners	Ongoing	2
	rel04	Cultural Fit	Ongoing	3
	rel05	Stakeholder Information	Ongoing	3
	rel06	Client Relationships	Ongoing	3
	rel07	Supplier and Partner Relationships	Ongoing	3
	rel08	Value Creation	Ongoing	4
Technology Management	tch01	Acquire Technology	Ongoing	2
	tch02	Technology Licenses	Ongoing	2
	tch03	Control Technology	Ongoing	2
	tch04	Technology Integration	Ongoing	2
	tch05	Optimize Technology	Ongoing	3
	tch06	Proactively Introduce Technology	Ongoing	4
Threat Management	thr01	Risk Management	Ongoing	2
	thr02	Engagement Risk	Ongoing	2
	thr03	Risk Across Engagements	Ongoing	3
	thr04	Security	Ongoing	2
	thr05	Intellectual Property	Ongoing	2
	thr06	Statutory and Regulatory Compliance	Ongoing	2
	thr07	Disaster Recovery	Ongoing	2
Contract Management	cnt01	Negotiations	Initiation	3
	cnt02	Pricing	Initiation	2
	cnt03	Confirm Existing Conditions	Initiation	2
	cnt04	Market Information	Initiation	3
	cnt05	Plan Negotiations	Initiation	2
	cnt06	Gather Requirements	Initiation	2
	cnt07	Review Requirements	Initiation	2
	cnt08	Respond to the Requirements	Initiation	2
	cnt09	Contract Roles	Initiation	2
	cnt10	Create Contracts	Initiation	2
	cnt11	Amend Contracts	Initiation	2

Source: Carnegie Mellon University

Capability Practice Area	ID	Brief Description	Sourcing Life Cycle	Capability Level
Service Design and Deployment	sdd01	Communicate Requirements	Initiation	2
	sdd02	Design and Deploy Services	Initiation	3
	sdd03	Plan Design and Deployment	Initiation	2
	sdd04	Service Specification	Initiation	2
	sdd05	Service Design	Initiation	2
	sdd06	Design Feedback	Initiation	2
	sdd07	Verify Design	Initiation	3
	Sdd08	Deploy Service	Initiation	2
Service Delivery	del01	Plan Service Delivery	Delivery	2
	del02	Train Clients	Delivery	2
	del03	Deliver Service	Delivery	2
	del04	Verify Service Commitments	Delivery	2
	del05	Correct Problems	Delivery	2
	del06	Prevent Known Problems	Delivery	3
	del07	Service Modifications	Delivery	2
	del08	Financial Management	Delivery	2
Service Transfer	tfr01	Resources Transferred In	Initiation	2
	tfr02	Personnel Transferred In	Initiation	2
	tfr03	Service Continuity	Completion	3
	tfr04	Resources Transferred Out	Completion	2
	tfr05	Personnel Transferred Out	Completion	2
	tfr06	Knowledge Transferred Out	Completion	4

Source: Carnegie Mellon University

De-risking the Sourcing Relationship

A good sourcing relationship is built around risk mitigation, and business needs the right talent, management and process knowledge to be in place to execute on objectives. The eSCM-SP framework ensures that the organization fully understands the capabilities of its service provider before the contract is signed. The eSCM-SP framework quantifies the critical issues related to any sourcing relationship. Companies can examine and select service providers based on their eSCM certification. eSCM-SP provides a way to mitigate the risks associated by providing a mature governance model, with measurable metrics and continuous improvement. As arrangements/contracts typically run three to five years, there is always a risk that workers who were in a company before processes were outsourced will

no longer be on hand when those processes are brought back in-house. eSCM-SP defines all the enablers needed to reverse-transition those processes back into the organization. Certainly, buyers can contractually account for aspects of the reverse-transition process, such as transferring databases and customer communications. However, most critical is to have clear documentation of process changes, and organizations can only be sure they will receive this if they work with a service provider certified to perform the eSCM framework.

For example Satyam (Indian BPO service provider) had eSCM-SP Level 5 certification. The supporting processes provided most customers view of key performance in real-time, or near real-time. The process maturity enabled easy transition to Mahindra, in a very short span, once Mahindra acquired Satyam.

eSCM-SP Certification

The eSCM SP also provides a roadmap for progressing client relationships towards continuously improving business value. Besides, certification to an eSCM Level provides organizations with competitive differentiation in the marketplace by providing an external validation of effective implementation of eSCM best practices.

Approach

A step-by-step approach needs to be taken for an eSCM-SP certification
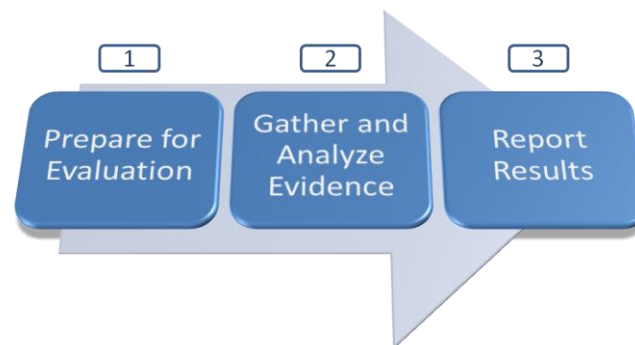
Preparing for an evaluation

A sponsor needs to be identified who will contact an Authorized Lead Evaluator to arrange for the evaluation. If the sponsor is a client, the service provider will need to identify a senior site Manager as a primary management point of contact for each site being reviewed. The evaluator will provide a questionnaire to the organization for collecting basic information related to organization location, number of personnel, & organization chart. The questionnaire is administered in one or more sessions to different department heads in the organization, where the objectives are specified and the information required is explained.

A team leader will carry out the site audit and prepare an initial evaluation plan for approval. The plan will have a scope of work and objectives of the evaluation as well as the schedule.

Gathering and analyzing evidence

Once the Capability Determination work is completed, data is gathered and analyzed. The Capability Determination team reviews the data and determines if the organization is at what level of certification. The gaps are highlighted and a report is given to the sponsor.

Reporting results

The Capability Determination team prepares a preliminary findings report and shares it with the sponsor. A review is presented with the present strength and need for improvement is identified. The organization has an opportunity over the next 14 days to provide additional information if some details were not provided to the Capability Determination team to be included in the final report. The final report contains detailed findings relative to each requirement in the eSCM-SP. If any organization would like to get an eSCM-SP certification the report will include the team's recommendation regarding the certification. On Submission of the final report, the Certification Board reviews the Request for Certification and the results of the Evaluation for Certification. It then issues a Certificate of Capability, usually within 30 days.

Costs

There are two components of costs for becoming certified:

Cost of Evaluation: For evaluation costs, authorized organizations will each determine pricing for their services depending on the scope of the evaluation (number of sites, number of engagements, and number of practices being included in the capability determination). The estimated fees may range from USD 10000 to 15000.

Cost of the Certification: The cost of a call center certification varies from country to country. The estimated fees may range from USD 3000 to 5000. There would be additional fees if an additional consultant is appointed for documentation and implementation.

Duration

It takes approximately 11 to 12 weeks to obtain the eSCM-SP certification. The certification lasts for two years and this certificate may be revoked or suspended before expiry for reasons as change in ownership, staffing or not following the eSCM-SP guidelines.

Conclusion

The eSourcing Capability Model for Service Providers (eSCM-SP) is a "best practices" capability model that gives service providers guidance in improving their capability across the sourcing life cycle, gives clients a realistic picture of the capabilities of the service provider, and provides a standard for service providers to use when differentiating themselves from competitors. As competition increases and sourcing contracts become more complex, this framework has the ability to guide both the clients and service providers to initiate, manage and sustain a successful relationship throughout the Sourcing Life Cycle.

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