INTERNATIONAL STANDARD

ISO 37500

First edition
2014-11-01

Guidance on outsourcing

Lignes directrices relatives à l'externalisation

Reference number
ISO 37500:2014(E)

ISO copyright office
Case postale 56 • CH-1211 Geneva 20
Tel. + 41 22 749 01 11
Fax + 41 22 749 09 47
E-mail copyright@iso.org
Web www.iso.org

Published in Switzerland

Contents

Page

Foreword v
Introduction vi
1 Scope 1
2 Normative references 1
3 Terms and definitions 1
4 Outsourcing introduction and model 4
4.1 Contextual model of outsourcing 4
4.2 Reasons for outsourcing 5
4.3 Risks of outsourcing 5
4.4 Outsourcing life cycle model 6
4.5 Summary of main outsourcing life cycle outputs 9
4.6 Repeating the outsourcing life cycle 9
5 Outsourcing governance framework 10
5.1 General 10
5.2 Management structure and functions 11
5.3 Joint governance committees 11
5.4 Appreciation of cultural differences 12
5.5 Processes of outsourcing governance 13
6 Phase 1: Outsourcing strategy analysis 18
6.1 General 18
6.2 Check outsourcing prerequisites 19
6.3 Understand services eligible for outsourcing 20
6.4 Assess organizational impact of outsourcing of services 21
6.5 Define outsourcing strategy 22
6.6 Develop initial business case(s) for outsourcing 24
6.7 Evaluate and decide 24
6.8 Set up outsourcing project 25
7 Phase 2: Initiation and selection 26
7.1 General 26
7.2 Detail required services 26
7.3 Detail outsourcing model 27
7.4 Define agreement requirements and structure 28
7.5 Identify potential providers 29
7.6 Shortlist providers 30
7.7 Outline agreements 31
7.8 Negotiate and establish agreements 32
8 Phase 3: Transition 33
8.1 General 33
8.2 Establish transition project team 34
8.3 Establish outsourcing governance 35
8.4 Refine delivery frameworks and transition plan 36
8.5 Refine knowledge acquisition 37
8.6 Execute transition of knowledge, people, processes and technology 38
8.7 Deploy the quality, risk, audit and compliance frameworks 39
8.8 Deploy asset and knowledge management framework 40
8.9 Deploy delivery frameworks 40
8.10 Test service delivery capability 41
8.11 Pilot and handover 42

9 Phase 4: Deliver value 43
- 9.1 General 43
- 9.2 Deliver service 44
- 9.3 Monitor and review service performance (ongoing) 45
- 9.4 Manage and resolve issues (ongoing) 46
- 9.5 Deliver and manage changes (ongoing) 47
- 9.6 Deliver innovation (optional, ongoing) 48
- 9.7 Deliver transformation (optional) 49
- 9.8 Manage finances 49
- 9.9 Manage relationships 50
- 9.10 Manage the agreement 51
- 9.11 Value and business case assurance 52
- 9.12 Continuation or end of agreement preparation 52

Annex A (informative) **Governance committees and meeting structure** 54

Annex B (informative) **Checklist of potential outsourcing risks per phase** 55

Annex C (informative) **Phase 1 Checklist for the outsourcing business case** 58

Annex D (informative) **Phase 2 Typical topics included in the checklist for request for information** 60

Annex E (informative) **Phase 2 Checklist for the request for proposal** 62

Annex F (informative) **Phase 2 Examples of agreement topics** 63

Annex G (informative) **Phase 3 Checklist of transition plan** 64

Annex H (informative) **Phase 4 Example of innovation funnel process** 68

Annex I (informative) **Outsourcing life cycle exit** 70

Bibliography 72

Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation on the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the WTO principles in the Technical Barriers to Trade (TBT) see the following URL: Foreword - Supplementary information

The committee responsible for this document is Project Committee ISO/PC 259, *Outsourcing*.

Introduction

Around the globe, outsourcing is increasingly an opportunity to add value, tap into a resource base and/or mitigate risk. This International Standard aims to provide general guidance for outsourcing for any organization in any sector. It provides a vocabulary for outsourcing practitioners across all industry sectors. It includes typical outsourcing concepts to improve the understanding of all stakeholders, by providing a set of practices that can be used to manage the outsourcing life cycle.

Outsourcing is a business model for the delivery of a product or service to a client by a provider, as an alternative to the provision of those products or services within the client organization, where:

— the outsourcing process is based on a sourcing decision (make or buy);

— resources can be transferred to the provider;

— the provider is responsible for delivering outsourced services for an agreed period of time;

— the services can be transferred from an existing provider to another;

— the client is accountable for the outsourced services and the provider is responsible for performing them.

This International Standard starts with the precondition that an organization has already established a sourcing strategy and concluded that outsourcing might be a beneficial approach.

Continuation or termination of an outsourcing arrangement forms an integral part of the outsourcing life cycle. Continuation commences as long as the outsourcing business case is valid and the outsourcing option is feasible within the sourcing portfolio. The decision to continue or terminate outsourcing as a sourcing strategy option is an outcome from the sourcing process of the client and is outside the scope of this International Standard.

This International Standard:

a) covers the entire outsourcing life cycle in four phases, as depicted in Figure 2, and provides definitions for the terms, concepts, and processes that are considered good practice;

b) provides detailed guidance on the outsourcing life cycle, processes and their outputs;

c) provides a generic and industry independent foundation, which can be supplemented and tailored to suit industry-specific requirements;

d) can be used before, during and after the decision is made to outsource;

e) aims to enable mutually beneficial collaborative relationships.

The description of each outsourcing phase provides information for the client side as well as the provider side.

Guidance on outsourcing

1 Scope

This International Standard covers the main phases, processes and governance aspects of outsourcing, independent of size and sectors of industry and commerce. It is intended to provide a good foundation to enable organizations to enter into, and continue to sustain, successful outsourcing arrangements throughout the contractual period.

This International Standard gives guidance on:

— good outsourcing governance for the mutual benefit of client and provider;

— flexibility of outsourcing arrangements, accommodating changing business requirements;

— identifying risks involved with outsourcing;

— enabling mutually beneficial collaborative relationships.

This International Standard can be tailored and extended to industry-specific needs to accommodate international, national and local laws and regulations (including those related to the environment, labour, health and safety), the size of the outsourcing arrangement and the type of industry sector.

This International Standard recognizes that the various stakeholders act separately in some phases of the outsourcing life cycle and together in others. It is not possible to exclusively allocate processes within the outsourcing life cycle to either client or provider. For each outsourcing arrangement, process responsibility is intended to be interpreted accordingly and tailored by the user.

This International Standard is intended to relate to any outsourcing relationship, whether outsourcing for the first time or not, using a single-provider or multi-provider model, or draft agreements based on services or outcomes. Processes mentioned in this International Standard are intended to be tailored to fit the outsourcing strategy and maturity of the client and provider organizations.

This International Standard is intended to be used by outsourcing clients, providers and practitioners, such as:

— decision makers and their empowered representatives;

— all stakeholders engaged in facilitating the creation and/or management of outsourcing arrangements;

— staff at all levels of experience in outsourcing.

2 Normative references

There are no normative references.

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

3.1
baseline
agreed reference value or set of values which can be derived from past experience, often used for comparing with ongoing performance data, values and/or outcomes

3.2
business case
structured proposal for business improvement that functions as a decision package for decision-makers

Note 1 to entry: The business case should explain why outsourcing is required for the business and what the product or service is going to be. It should include an outline of the return on investment (ROI), or a cost/benefit analysis, the performance characteristics, major project risks and the opportunities. The business case addresses, at a high level, the business needs that the outsourcing project seeks to meet. It includes the reasons for outsourcing, the expected business benefits, the options considered with reasons for rejecting or carrying forward each option, the expected costs of the outsourcing project, a gap analysis and the expected risks.

[SOURCE: ISO/TR 25104:2008, 3.3, modified]

3.3
client
individual or group of organizations entering into an agreement with a provider for products and services for their own use

[SOURCE: ISO 24803:2007, 3.2, modified]

3.4
due diligence
detailed assessment of one or more business processes or production lines, culture, assets, liabilities, intellectual property, judicial and financial situation in order to make the outsourcing decisions

3.5
framework
documented set of guidelines to create a common understanding of the ways of working

3.6
innovation
implementation of a new or significantly improved product (good or service), or process, new marketing method, or new organizational method in business practices, workplace organization or external relations

[SOURCE: CEN/TS 16555-1:2013, 3.1]

3.7
innovation and transformation committee
joint management team that governs the process of managing innovation and transformation in the outsourced processes in order to enhance delivered value

Note 1 to entry: The committee follows a mutually accepted procedure of evaluating the potential value impact, assessing effort, risk, time to market and sharing of costs and rewards.

Note 2 to entry: The committee usually has representatives from the client and the provider.

3.8
knowledge acquisition
process of locating, collecting, and refining knowledge and converting it into a form that can be further processed by a knowledge-based system

[SOURCE: ISO/IEC 2382-31:1997, 31.01.04]

3.9
knowledge transfer
structured process of imparting pre-existing or acquired information to a team or a person, to help them attain a required level of proficiency in skill

Note 1 to entry: Knowledge transfer is not a synonym for training.

3.10
outsourcing
business model for the delivery of a product or services to a client by a provider

3.11
outsourcing arrangement
contractual arrangement between two or more organizations for the provision of specific services for a fixed period of time, where one organization is the client for those services and the other organization is the provider

3.12
outsourcing governance
joint set of structures and processes that are implemented to ensure effective leadership and management, which enables an outsourcing arrangement to achieve its joint objectives within the framework of agreed values

3.13
outsourcing governance framework
outline of guidelines and processes that enables continual monitoring and management of outsourcing arrangements to sustain value delivery between client and provider

Note 1 to entry: In order to keep it relevant in a changing environment, the governing committee of the two organizations may modify the governance framework occasionally.

3.14
outsourcing model
formalized concept of the scope of an outsourcing arrangement and how it is structured and carried out

3.15
provider
organization that offers a product or service to a client

Note 1 to entry: The term "provider" within this International Standard is used in a generic, singular fashion. In practice, however, outsourcing arrangements may consist of many stakeholders or sub-contractors involved in one outsourcing arrangement. Often they are supplemented by advisors and consultants facilitating the outsourcing process.

3.16
responsibility matrix
chart that describes the participation by various roles in completing tasks or deliverables for an outsourcing arrangement

3.17
retained organization
organizational units and/or employee roles, retained within the client organization, providing the client interface for the provider

3.18
service
product
result of activities performed by the provider according to the agreed scope, service levels and client demands

Note 1 to entry: Depending on the industry sector, it may be appropriate to use the term "product" rather than "service". Each industry uses specific terminology. This is also true for the distinction of delivering a product or a service. Theoretically, any product or service is in fact a hybrid of both worlds. In the interests of readability, only the term "service" is used throughout this International Standard.

3.19
service catalogue
list of services that an organization provides to its clients or employees

Note 1 to entry: Each service within the catalogue typically includes a description of the service, timeframes or service level agreements for fulfilling the service, who is entitled to request/view the service, costs (if any), and how to fulfil the service.

3.20
service level agreement
SLA
documented agreement between the client and provider that identifies services and service targets, including prerequisites for service levels and measures for performance

3.21
sourcing strategy
organization's action plan to obtain products and services that are essential to run its business in the most effective and efficient manner

3.22
standard operating procedure
SOP
authorized, documented procedure or set of procedures, work instructions and test instructions for production and control

[SOURCE: ISO 15378:2011, 3.58]

3.23
transformation
process of profound and radical change that orients an organization in a new direction and takes it to an entirely different level of effectiveness

Note 1 to entry: Unlike incremental change or continual improvement, transformation implies little or no resemblance with the past configuration or structure.

3.24
transition
activities for migrating agreed upon knowledge, assets, liabilities, systems, processes and people from the client to the provider in order to create desired delivery capability

3.25
value
quantifiable financial or non-financial gain

4 Outsourcing introduction and model

4.1 Contextual model of outsourcing

Organizations are complex systems, continually adapting to changes in their environment (see Figure 1). They face many forms of pressure including those from ever-changing markets, political, social, economic and technological factors. In order to survive, organizations need to constantly update their strategy and realign to meet the demands from these complex challenges. They are in a state of constant flux, adapting to the external changes and requirements. This may involve outsourcing arrangements. This International Standard reflects the need to stay continuously aligned with the business and sourcing strategy, building in the capability for change from the start of the outsourcing life cycle. This is done not only by providing guidance in innovation, transformation and change, but also by providing a joint outsourcing governance framework.

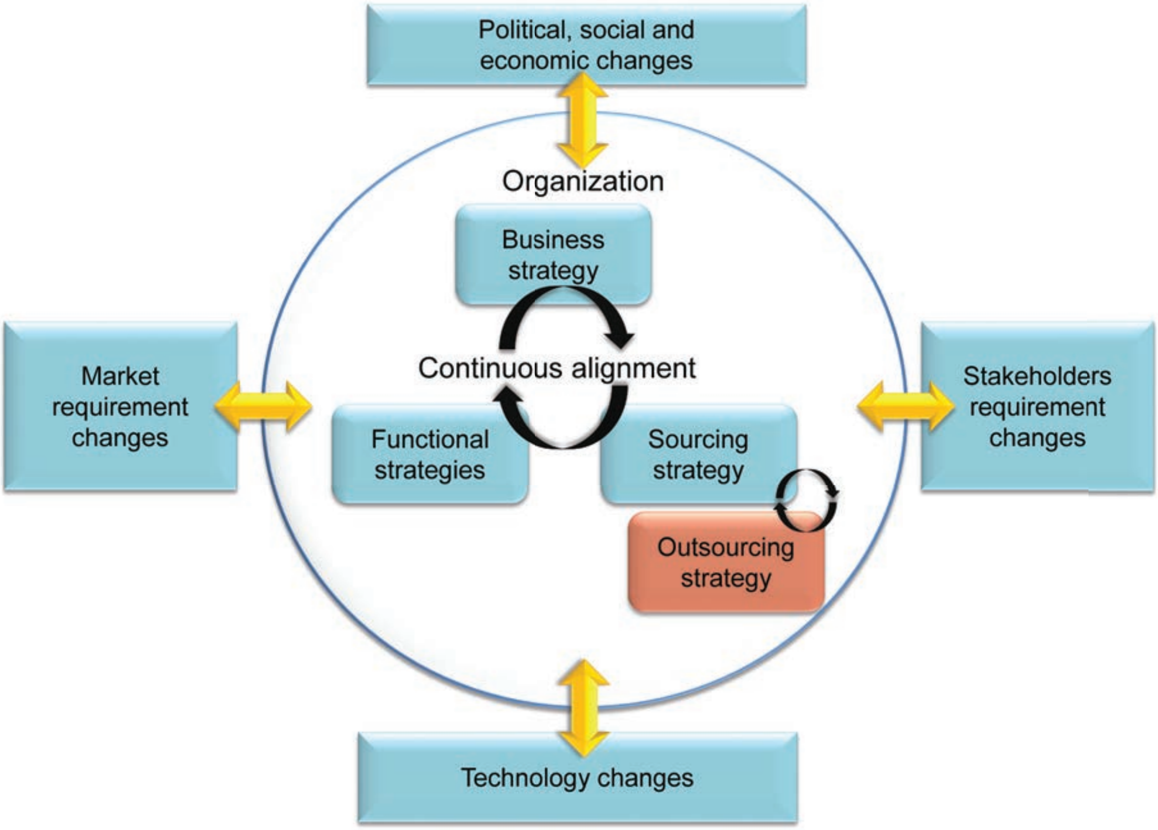

Figure 1 — Contextual model of outsourcing

It is common for organizations to have a business strategy and several functional strategies in order to fulfil the overarching goals of the organization. By adding sourcing strategy in this process, the organization is able to make a strategic choice on whether or not to have particular business functions provided in-house or by an external organization.

4.2 Reasons for outsourcing

Outsourcing gives organizations several business opportunities. A client's decision to outsource is typically not driven by a single reason. The following list gives the main reasons why organizations outsource:

a) to manage costs;

b) strategy changes: sometimes an organization redefines its business on what to create internally and what may be provided externally: processes formerly executed internally become eligible for outsourcing;

c) access capabilities that are not available in-house;

d) transfer risks: especially in volatile markets clients may transfer risks by increasing the share of variable cost, e.g. by transferring assets and/or staff benefitting from flexibility and scalability on the provider side.

4.3 Risks of outsourcing

Outsourcing has advantages but also carries a number of risks. The key risks vary from sector to sector. Some of the risks may be present, but the impact of the risk differs for each service that is eligible for outsourcing. Management should assess the presumed organizational value and risks before reaching an informed outsourcing decision. The following key risks need to be considered within the outsourcing life cycle in order to improve the chance of success.

a) Absence of a strategy: Outsourcing contributes a risk to the overall effectiveness of the organization if no formal strategy and vision is set by the leadership of the client. Outsourcing should be a carefully chosen strategy based on sound business decisions.

b) Poor understanding of environment dynamics: As explained in 4.1, an organization constantly struggles to create equilibrium with its surroundings. In many cases this may affect the outsourcing arrangement, forcing changes to be able to deliver value. Adaptability becomes more important when dealing with outsourcing core processes, for example by adding innovation or change services to the outsourcing agreements. Outsourcing governance, therefore, should be more important to facilitate collaborative business relationships.

c) Blind focus on cost reduction: Although outsourcing can lead to substantial cost reduction, an organization should pay attention to the overall impact and risks of outsourcing. By doing this organizations can factor in issues that could occur, particularly those who are relatively inexperienced in outsourcing and who often tend to focus too much on cost reduction. Organizations tend to underestimate the set of outsourcing governance processes and the staff required to manage the demand and integration as well as monitoring and steering of the provider. This often results in an overly optimistic or unrealistic business case.

d) Underestimated business impact: outsourcing: Especially when it concerns core business processes, can have a profound and unexpected effect on a client's culture, work morale and business relationships. Therefore, clear visible strategic leadership is required to guide the organizational change.

e) Poor cultural compatibility: An outsourcing arrangement generally covers a certain period. During this period, client and provider should collaborate on different levels. If the organizational and management culture differ significantly, conflicts and disputes are often managed in an ineffective manner. A client should understand the work dynamics in order to be able to search for a suitable provider.

f) Poor understanding of the process: Transferring responsibility and control are key elements of outsourcing. During an outsourcing arrangement, the client's understanding of the process may fade. People may change jobs and the provider may make changes to the process. Clear understanding of the processes from start to finish is important for a successful start and the inevitable exit. Hence, it is important to understand the arrangements around knowledge management and intellectual property.

g) Poor relationship management: Outsourcing is by definition a relationship between stakeholders and the success of the relationship is the most fundamental factor in the success of the arrangement for both stakeholders. A successful relationship should often ensure that problems, which will inevitably arise in every arrangement, are able to be effectively addressed. A poor relationship may, at worst, even result in the termination of what is a potentially successful collaboration.

4.4 Outsourcing life cycle model

In order to obtain the desired value and mitigate risks associated with outsourcing, this International Standard provides a high-level, relatively easy-to-comprehend outsourcing model which aims to support stakeholders to understand:

— the outsourcing life cycle and outsourcing governance;

— the joint processes (demand and supply) that the client and provider should establish, managing the outsourcing arrangement;

— how they can ensure flexibility to changing business requirements;

— how they can ensure the delivery of desired value;

— how they can ensure collaborative business relationships.

4.4.1 Overview of the outsourcing life cycle model

4.4.1.1 General

Outsourcing governance is at the heart of the outsourcing life cycle model. Figure 2 highlights its function in continuously monitoring, evaluating and directing all phases of the outsourcing life cycle. Good governance practices are at the core of the outsourcing life cycle model.

Each of the four phases contains a set of processes which address:

a) its purpose;

b) main activities to be performed;

c) key success factors;

d) main inputs and outputs.

This set of processes can be tailored to meet the requirements of any outsourcing arrangement.

Each process within a phase is written in a similar fashion addressing the purpose of the process and the main activities to be performed, the key success factors and the main inputs and outputs.

This subclause identifies, apart from several outsourcing governance practices, additional items that contribute to good governance.

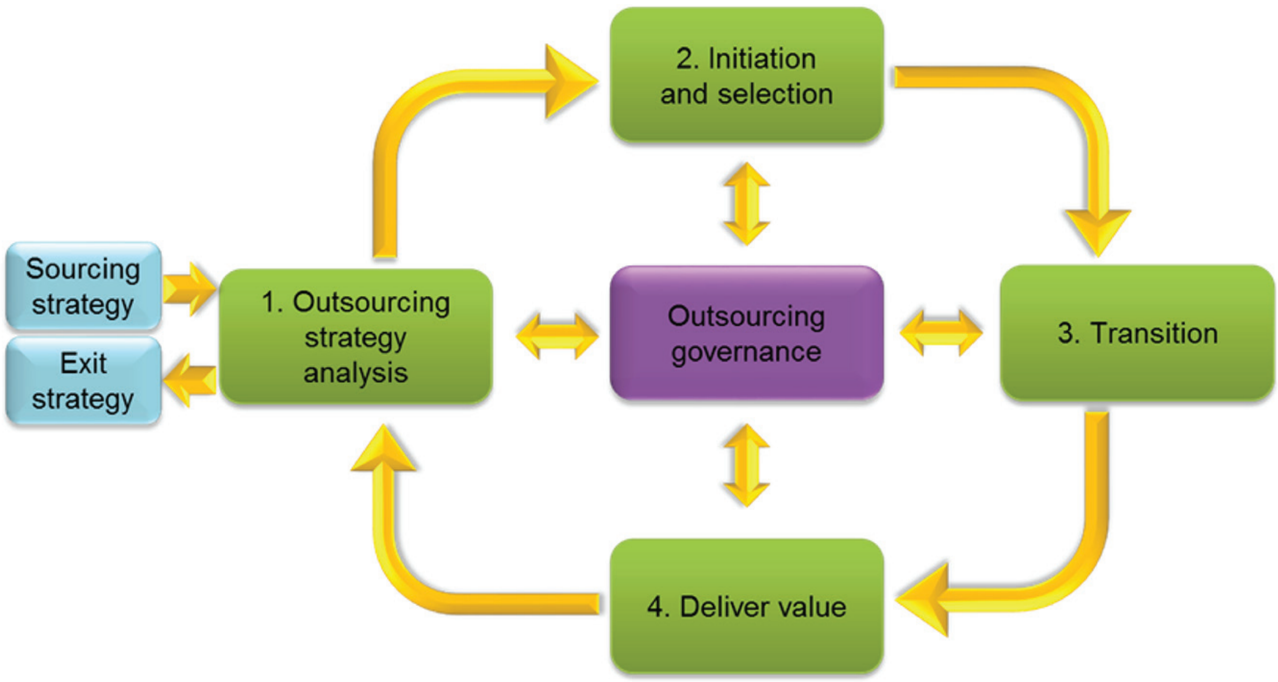

Figure 2 — Outsourcing life cycle model

4.4.1.2 Outsourcing governance

Outsourcing governance is at the heart of the outsourcing model. The outsourcing governance practices are an enabler for effective strategic leadership of the outsourcing arrangement and the realization of its desired value.

Within the outsourcing life cycle, governance involves the development of processes which bring together the appropriate level of management from both the client and the provider(s) to work side by side on an ongoing basis in order to maintain an optimal alignment of ambition and interest of all stakeholders involved in the outsourcing relationship throughout the outsourcing life cycle.

4.4.1.3 Phase 1: Outsourcing strategy analysis

The first phase is "outsourcing strategy analysis". The purpose of this phase is to initiate and evaluate outsourcing opportunities and establish and maintain an outsourcing strategy that meets business goals and requirements. Only then will the client be able to fully assess the value that outsourcing might bring to their organization and the feasibility of the outsourcing options available. The nature of this phase is predominantly client-based.

4.4.1.4 Phase 2: Initiation and selection

The second phase is "initiation and selection". The purpose of this phase is to specify the requirements for proposed services to outsource, to select adequate providers, and to successfully establish the outsourcing agreements. It should be fully aligned with 4.4.1.3 with the governance practices being the link between the processes and this being led and driven by senior management. In this phase the provider proposes an outsourcing solution based on client requirements. Within this phase several frameworks are to be identified and subsequently created in order to be able to deliver the services and manage the outsourcing arrangement. The developed business case will be changed according to the experience during transfer. If the business case imposes too much risk or uncertainty, the outsourcing process could be stopped and information fed back to phase 1 for analysis of all outsourcing opportunities. If risks are acceptable agreements should be signed, moving to the next phase. All decision documents are submitted to the outsourcing governance processes for approval by senior management.

4.4.1.5 Phase 3: Transition

The third phase is "transition". The purpose of this phase is to enable the provider to establish delivery capabilities in their environment. These are used in phase 4 ("deliver value"). The transition may include transfer of staff, assets and related change management procedures. The client and provider work intensively together during the "pilot and handover" process. Thereby the provider is able to fulfil their service delivery responsibility agreed with the client. After establishing the delivery and outsourcing governance processes, these are tested in order to ensure that the processes are delivering the required quality and performance. These tests should also demonstrate that the outsourcing governance committees are provided with the adequate information. Governance committee members should be trained and be formally committed to their roles and responsibilities.

By formal sign-off, the responsibility is transferred to the provider and residual risks are assessed and accepted. The developed business case should be changed according to the experience during transfer. A new business case baseline is set after incorporating all experience during transition. During the "transition" phase it might become clear that outsourcing is more expensive and a viable business case is not being achieved. Although difficult, abandonment of the outsourcing process should be considered. This means that phase 1 is to be triggered, reassessing the outsourcing strategy benefits and creating a decision document for the leadership.

4.4.1.6 Phase 4: Deliver value

The fourth phase is "deliver value". The purpose of this phase is to ensure that both the client and provider realize and sustain the value of the outsourcing arrangement according to the defined business case and ambitions. In this phase the focus is predominantly on the provider and service provision is monitored by the client. The name of this phase reflects the fact that value to the client or provider may change over time and is not expressed in an agreement alone. When an agreement is made for a longer period, alignment of ambitions and interest within outsourcing governance will trigger changes to be made in "deliver value".

Therefore, a diverse set of processes should be run in order to achieve results, ensure consistent performance and improve where possible. In this phase some processes may not be required for all outsourcing arrangements. For example processes such as "deliver innovation" and "deliver transformation" may not be required in all cases. These processes are identified as complementary processes. Those services ensure the capability to create and implement radical changes to the service portfolio and meet changing client and market demands. This phase ends with preparation of the contract evaluation which will be used in governance to assess the results.

When conducting an exit from the current outsourcing arrangement, 5.5.4.5 and Annex I provide guidance on the different scenarios.

4.5 Summary of main outsourcing life cycle outputs

Each phase of the outsourcing life cycle provides for main outputs that are re-used in the next phase.

Apart from phase-specific outputs, the business case is one of the most important output documents that exists in each phase of the outsourcing life cycle. The business case starts at the first phase by creating the initial high-level business case. It includes both qualitative and quantitative aspects. In the second phase the business case is detailed. If the business case does not show the required benefits or indicates too much business risk, the outsourcing process should be re-evaluated or terminated. During transition, the business case touches reality and should be fine-tuned and baselined to reflect the possible value during the "deliver value" phase. During delivery, the business case should be updated periodically so it incorporates the latest transformations, changes and improvement results. The business case ultimately plays a vital role in evaluating the outsourcing arrangement and in making a decision whether or not to continue.

The agreement is another important output of the outsourcing life cycle which documents the tangible, rational elements of the arrangement. If conflict arises and escalates between client and provider, the agreement plays a vital role in managing liability and/or mediation. However, significant conflicts should be addressed through negotiation at the earliest possible stage. Therefore this International Standard stipulates the importance of business relationship processes within outsourcing governance to create a continuous alignment of ambitions and interests of all stakeholders, and to be resilient in resolving business case setbacks and disputes.

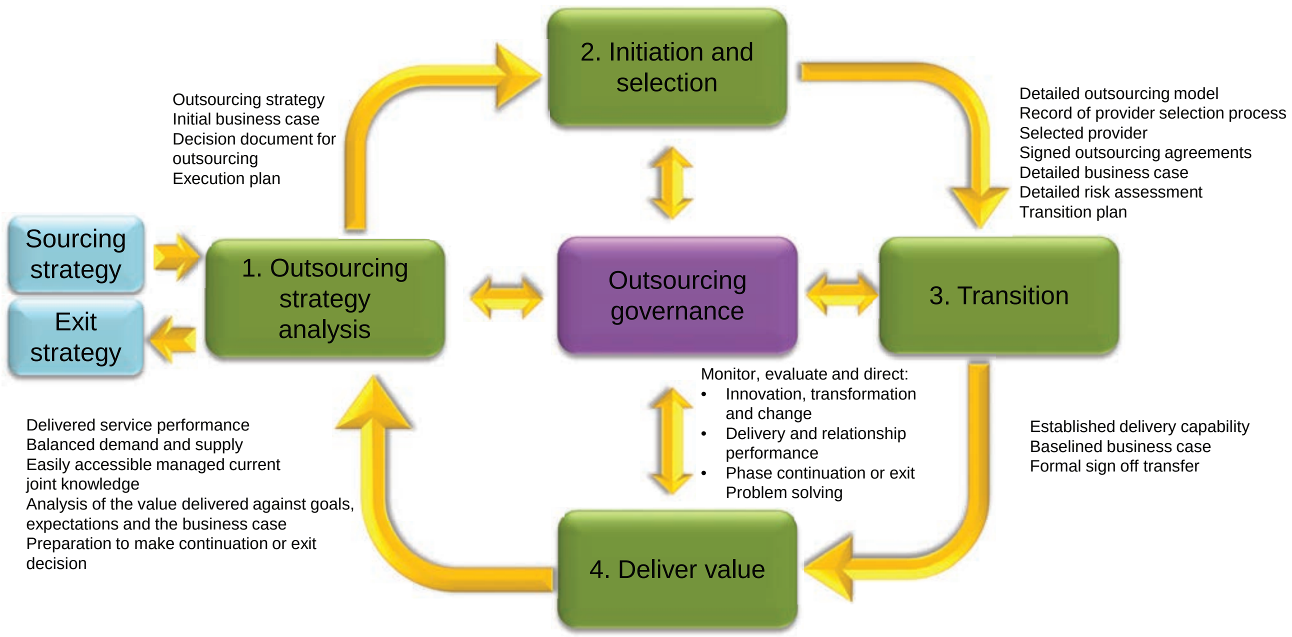

Figure 3 — Main outputs of the outsourcing life cycle output model

4.6 Repeating the outsourcing life cycle

The end of phase 4 in the outsourcing life cycle model is often the beginning of phase 1 as the outsourcing life cycle repeats. The next iteration of the outsourcing life cycle is depicted in Figure 2 by the arrow from phase 4 to phase 1. The repeat of the outsourcing life cycle often occurs with the same client-provider outsourcing relationship.

Repetition of the outsourcing life cycle will be influenced by many complex factors. Identifying these factors, and interpretation of their impact, should occur during phase 4 and at the start of phase 1 (see 6.2). This is the role of the governance framework (see 5.5.4.2 and 5.5.4.5) relying on information from the “continuation or end of agreement preparation” (see 9.12).

If the outsourcing life cycle continues in a second or further repetition, many of the activities in phases 1, 2, 3 are shortened compared to the first iteration, because most of the pre-requisite activities have been completed. Phase 1, 2, 3 deliverables should be revisited and revised, but this can occur more rapidly than the first time. As organizations develop maturity in their outsourcing experience they should become efficient in managing and executing the outsourcing life cycle model.

5 Outsourcing governance framework

5.1 General

The purpose of the “outsourcing governance framework” section is to set out the client–provider interaction processes, customs, policies and joint management committees which facilitate the outsourcing life cycle and relationships. Governance enables the joint leadership to make effective decisions, in order to create the desired value and facilitate changing business requirements for the client and provider involved.

Through the joint management and delivery teams outsourcing governance monitors relationships among many stakeholders. The purpose of outsourcing governance is to efficiently and effectively monitor, evaluate and direct the outsourcing life cycle in a holistic manner in order to ensure the creation of the desired strategic outcomes and mitigate risk.

Outsourcing governance is necessary from the start to the finish of an outsourcing arrangement and should integrate the client and provider’s organizations as much as is required. Governance in the outsourcing context should be considered as a subset of the joint corporate management functions aiming to deliver innovation and value, and mitigating risk to the client and provider’s businesses. It should provide continuity to the client and provider’s leadership throughout the outsourcing life cycle to ensure a consistent and appropriate focus on strategic outcomes and delivered value.

Good governance is critical to the success of any outsourcing arrangement and can be described as an appropriate formal decision-making framework to ensure alignment of the services provided into the business, technical and sourcing strategies of the client. Depending on a number of factors, outsourcing governance should be tailored to accommodate the business needs of client and provider. The following factors should be considered:

a) complexity of the services contracted;

b) business impact of the services contracted, e.g. strategic versus commodity;

c) geographical coverage;

d) corporate management structure of client and provider’s organizations, e.g. divisions, business units, regions;

e) business relationship between client and provider;

f) commitment to collaborative working;

g) management culture and behaviours.

Governance will also mature over time to reflect developing mutual levels of trust and confidence. It will also be impacted by the changing business needs of the stakeholders and the nature of the relationship as it develops.

A collaborative business relationship between client and provider is also important and should be considered as a key enabler of good governance. Outsourcing agreements will rightly focus on precise solution definition and scope, term, performance metrics, commercial models and contractual terms and conditions but should also clearly articulate the relationship intent and mutual expectations between client and provider. These very real and often personal interests and expectations will have been formed during the "initiation and selection" phase and will influence perceptions of success, irrespective of actual delivery performance. It is crucial from the outset for the client and provider to establish and clearly communicate jointly agreed expectations and goals which can be described within a business relationship strategy. Such a strategy provides the business context for driving appropriate behaviours and attitudes, and should influence the governance orientation i.e. the manner in which governance is conducted.

The scope of governance within this outsourcing life cycle is to focus on the critical decisions to achieve the value in fulfilling the aspirations of the outsourcing relationship based on the following principles:

— provide effective leadership that ensures the focus on the business strategy and imperatives;

— provide supervision and stewardship;

— enable effective communication;

— establish ownership and control;

— foster the creation of value and enable innovative practices to flourish;

— enable the delivery of quality services to meet business needs,

— satisfy the expectations of the stakeholders;

— nurture and enhance the business relationship between client and provider;

— drive appropriate behaviours and attitudes;

— enable effective decision making and mitigate risk;

— oversight on compliance;

— build trust and confidence between client and provider.

5.2 Management structure and functions

Each organization involved in the outsourcing arrangement will have its own management structure and delivery teams, focused on providing the contracted service(s) based on jointly agreed roles and responsibilities. However, it is essential that the organizations involve both client and provider, and appoint empowered manager(s) who can provide appropriate leadership, and who are responsible and accountable for the development and implementation of the business relationship. The term "appropriate leadership" is used for the empowered managers because outsourcing governance may take many types and forms, for instance, major outsourcing arrangements require top management representatives.

The appropriate leadership should ensure that there is mutual agreement to support the joint programme, together with a clear definition of management systems, authorities, performance expectations and the creation of an appropriate operating environment to develop and maintain the ethos of collaboration through defined behavioural principles.

5.3 Joint governance committees

Each outsourcing arrangement should have one or more governance committees to provide the necessary supervision and direction to ensure the right value is delivered to meet the stated expectations. The number of joint management governance committees and the meetings frequencies, attendees and tasks should depend on the scope, size and complexity of the outsourcing arrangement. Each governance committee should have a clearly articulated charter, including scope, types of decision and reporting lines established.

NOTE Examples of typical governance committees and meetings structure are shown in Annex A.

Good governance requires the right people in position to come together at the right time to fulfil their obligations to each other. As a minimum, outsourcing governance should include formal and scheduled decision-making to enable effective management supervision, decision-making and intervention where required.

The membership of the governance committees should be at the appropriate level with the right delegated powers. For client and provider to work effectively, individual relationships between both should be structured to ensure level setting of authority and empowerment. Success will come from people being confident in their position, capable of making commitments to each other and above all being clear on their respective obligations.

A mapping of key roles of the relevant division or section of the organization engaged with the outsourced business within both client and provider organizations should be developed to ensure each one-to-one relationship is described in terms of authority mandates, responsibilities and accountability. Understanding these individual relationships and their roles within each organization will also help in developing the client's retained organization for the outsourced services. A retained organization consists of roles that manage the outsourcing arrangement and provide information about the client's needs. Having the appropriate retained organization is critical and will include (re)training the client staff to effectively manage the outsourcing arrangement.

5.4 Appreciation of cultural differences

Rarely do two organizations have identical cultures and mind-sets, as these are shaped by the geographies, the markets in which they operate, the company's size and past experiences. It is important for client and provider to appreciate and respect differences that are likely to exist between client and provider throughout the life cycle.

Developing strong relationships requires investment and effort in understanding and appreciating the differences that could exist. This could include the following:

a) understanding and appreciating the cultural context of both client and provider;

b) being aware of national cultures that influence organizational cultures;

c) considering organizational cultural elements, such as:

   1) preferred decision styles;

   2) corporate values;

   3) communication preferences;

   4) organisational practices;

   5) socialization;

   6) formal/informal;

   7) individualistic/collective decision making;

   8) ethical standards;

   9) attitude towards risk taking.

Many outsourcing benefits such as continual improvement and innovation could be nurtured if an environment of empowerment exists.

In addition, different units in different regions within organizations could exhibit variations on the different cultural elements that are shaped by the national cultures.

5.5 Processes of outsourcing governance

5.5.1 General

Governance is first established in the “outsourcing strategy analysis” phase, refined and set in motion in phase 2, “initiation and selection”, and permeates phases 3 and 4, “transition” and “deliver value”. Depending on the importance of the provider to the client’s core value chain processes, the client may involve the provider in the “outsourcing strategy analysis” phase itself, especially if the provider is a key provider and is privy to trade secrets and procedures. Table 1 sets out how governance processes connect with the outsourcing life cycle phases.

Table 1 — Summary outsourcing governance practices

Governance practices	**Outsourcing strategy analysis (5.5.4.2)**	**Initiation and selection (5.5.4.3)**	**Transition (5.5.4.4)**	**Deliver value (5.5.4.5)**
1. Develop and maintain joint objectives (5.5.2)	Identified from business objectives in preparation	Proposed and agreed	Established	Alignment of joint objectives
2. Establish governance committee (5.5.3)	Identified from business and/or good industry practice in preparation	Proposed and agreed	Transition committee is performing	Governance committees start performing
3. Monitor, evaluate and direct the outsourcing life cycle (5.5.4)	Identified from business and/or good industry practice in preparation	Proposed and agreed	Set up	Executing and review

5.5.2 Develop and maintain joint objectives

The purpose of the “develop and maintain joint objectives” practice is to establish a joint mission statement, an outsourcing roadmap with key milestones and success criteria, along with social and relationship events. In addition to focusing on performance scorecards, metrics, etc., the client and provider should also focus on softer elements, relationship building, partner assimilation and dialogue. A strong relationship is crucial to creating successful outsourcing arrangements (BS 11000-1:2010, 7.2.2, provides further information).

The main activities are:

a) discover mutual interests;

b) develop joint objectives;

c) define required behaviours to achieve joint objectives;

d) direct the innovation and change/service mix portfolios.

Key success factors are:

— leaders with positive collaborative behaviours will encourage relationship building;

— openness and transparency about the interests of each client and provider;

— realism that client and provider invest resources to facilitate the required outcomes,

— win-win mindset and a longer term view.

The process uses and creates the inputs and outputs shown in Table 2.

Table 2 — Develop and maintain joint objectives

Main input	Main outputs
Business and functional strategies of client and provider to realign to joint objectives and interests	Joint ambitions and outcomes Directives on innovation, transformation and change

5.5.3 Establish governance committee

The purpose of the "establish governance committee" process is to build the key practices that the governance committees would use in managing the outsourcing arrangement.

The main activities are:

a) identify governance committees;

b) set up the meeting structure and schedule;

c) define charters for the governance committees;

d) staffing governance committees timely and appropriately;

e) identify information reporting requirements.

Key success factors are:

— having staff with appropriate level of authority and mandate;

— establishing clear accountability for conducting the governance committee meetings and assign ownership of scope, follow through and closure of actions.

The process uses and creates the inputs and outputs shown in Table 3.

Table 3 — Establish governance committee

Main inputs	Main outputs
Agreements	Meeting schedules and governance charter
Outsourcing governance framework	Relationship matrix
Staffing of governance committee	Responsibility matrix

5.5.4 Monitor, evaluate and direct the outsourcing life cycle

5.5.4.1 General

The purpose of the "monitor, evaluate and direct the outsourcing life cycle" practice is to monitor, evaluate and direct the outsourcing life cycle phases by making well-informed decisions.

The main activities are:

a) manage business case and risk;

b) assess and seek to foster relationships;

c) evaluate and manage changes, renewal or terminate agreements;

d) manage disputes and escalations;

e) manage the change portfolio and/or service mix;

f) manage the innovation and transformation portfolio if applicable;

g) manage deliver value reporting.

All of the above activities should be assigned to the appropriate governance committee.

Key success factors are:

— decisions allocated appropriately to the specified governance committees;

— timeliness and accuracy of information provided to the governance committees;

— satisfactory resolution of disputes;

— mutual value creation;

— demonstration of a win-win environment.

The process uses and creates the inputs and outputs shown in Table 4.

Table 4 — Monitor, evaluate and direct the outsourcing life cycle

Main inputs	Main outputs
All governance decision information	Decisions
Performance reports	Investment decisions
Business case	Resolved disputes
Risk, compliance, assessment reports	Changed, renewed or terminated agreements
Relationship assessment reports	
Issue reports	
Change portfolio reports	
Transformation initiative proposal	

The outputs and critical decision points from each outsourcing life cycle phase feed into the appropriate governance committees to enable them to monitor their status, evaluate how well they are delivering against the aspirations and provide the necessary (re)direction in order to ensure they are achieving the desired value. Further information on the decision points for each phase of the life cycle is provided below.

5.5.4.2 Governance for phase 1 – Outsourcing strategy analysis

Governance for this phase is in most cases client-only and represents a subset of the client's corporate governance function. In some cases, providers can also participate as a consultant during this phase. The outsourcing strategy should address the opportunities for increasing derived value from investments in outsourcing models, aligned with business strategy and corporate goals, whilst mitigating risk on behalf of investors.

A governing committee should be established to oversee the entire "outsourcing strategy analysis" phase to ensure that all processes are conducted in a thorough and diligent manner and that each process is compliant with agreed terms of reference. For instance a strategy outsourcing committee, reporting to the leadership, could be established to oversee all strategic sourcing processes and to ensure that all potential sourcing options have been pursued rigorously. Meeting regularly within an agreed project timetable the strategic outsourcing committee will ensure thorough consultation with stakeholders, integrity of the business case for sourcing and mechanisms for protecting investments made in sourcing options.

From the "deliver value" process a contract evaluation document is provided. (See also 9.12) The strategic leadership committee should evaluate the updated business case and the continuation criteria. The continuation criteria should be based on the business case results, satisfaction levels and the outsourcing strategy. If the criteria are met, then renewal of the contract may commence immediately through phase 2 ("initiation and selection"). In other cases an advice is given whether or not to:

— renegotiate or redirect the current contract;

— set out for a new provider;

— abandon outsourcing and reinstate in-house processes.

5.5.4.3 Governance for phase 2 – Initiation and selection

There are two aspects to governance for this phase. Firstly there is the governance of the phase itself.

a) Client internal: A governing committee should be established to oversee the entire “initiation and selection” phase end-to-end to ensure appropriate consultation, process integrity, diligence and efficacy in all decision-making processes. The governing committee will establish control mechanisms for each process to ensure all requirements, evaluation, selection and negotiation processes directly support business goals and meet the business expectations of the client and provider.

b) Provider internal: The provider should establish a formal governance committee of senior representatives to provide strategy and direction to their solutions, commercial and risk teams, ensuring that their value proposition is clear, concise and relevant to the client business case. This governance committee will also ensure compliance with client selection processes and seek to offer opportunities for additional client value.

c) Joint: The degree to which governance can be jointly implemented largely depends on the commercial stance of the client and the role of advisors during the phase, but there are significant benefits to be gained from direct collaborative working with down-selected providers i.e. the final two or three selected potential providers. Consider the advantages of allowing closer working arrangements during the final selection process to:

   — ensure alignment of ambitions and interests;

   — ensure alignment of proposed solutions with requirements;

   — run joint workshops to reach agreement on specific points of interest;

   — identify opportunities for additional value;

   — establish clarity of roles and responsibilities;

   — identify third parties and stakeholders affected;

   — manage deliverables against agreed timelines and milestones;

   — address potentially costly misinterpretation and cultural mismatch;

   — facilitate recommendations to be made cooperatively;

   — mitigate against risk during contractual negotiation;

   — relieve as much negative sentiment on change as possible.

The second aspect of governance during this phase is the jointly agreed definition of the outsourcing governance during “transition” and “deliver value”. This may be described by the client in their requirements definition process and/or reviewed during the evaluation/selection process but it is crucial that post contract governance is thought through carefully by both client and provider, and defined clearly within the agreement (see Annex F).

5.5.4.4 Governance for phase 3 – Transition

Governance during this phase provides the robust management of all projects and programmes related to the successful transition of services from the client or current provider to the current or next provider. This critical phase should be subject to close supervision and scrutiny to ensure:

— mitigation against possible business disruption during service;

— continuing development of a positive relationship between all stakeholders - testing of commitments to the relationship success;

— all transition programmes and project activities are resourced appropriately and on time;

— services are transferred on time and to budget;

— the viability, quality and integrity of services transferred into the “deliver value” phase;

— that ongoing governance is implemented and proven;

— that key resources from client and provider are maintained during phase 2, 3 and well into phase 4.

This phase should be governed by a formal transition management committee or equivalent, jointly staffed by client and provider. The individual roles and mandate of the transition management committee should be defined within the “initiation and selection” phase. Early in the “transition” phase, the governance committees are established and management staff is allocated. It is crucial that changes in key resources are kept to a minimum at least across phases 3 and 4, “transition” and “deliver value”, to ensure that the necessary knowledge and experience on management level is continuously available throughout the outsourcing life cycle.

NOTE This International Standard is intended as guidance. For SMEs several roles could be carried out by one person. Therefore, tailoring this International Standard to suit an organization’s needs is always required, as stated in the Introduction.

5.5.4.5 Governance for phase 4 – Deliver value

This phase ensures that both client and provider realize the expected benefits. Governance committees should be jointly staffed and have a key role to play in providing supervision and control for outsourced services and obtaining the joint objectives. The goal of governance here is to provide formal and regular management mechanisms for reviewing performance, resolving issues, making effective service related decisions based on current and relevant information, and actively leading the development of a positive relationship based on trust.

The outputs from the “deliver value” processes should be inputted to a number of outsourcing governance committees addressing specific aspects of service delivery. Such committees will vary in size, scope and the industry legislative or regulatory requirements and may include:

— strategy and relationship review committee;

— service review committee;

— commercial review committee;

— financial review committee;

— security and compliance review committee;

— quality and risk review committee;

— change control committee.

The strategic and relationship review committee will consistently monitor and review the outcomes and derived value of outsourcing to ensure that the client’s business case is being continuously achieved (see 9.3 and 9.11).

By definition, outsourcing arrangements do not last forever. An exit of an outsourcing arrangement may be triggered by several events. Four situations are explained in Annex I to provide guidance on how to use the outsourcing life cycle.

a) The outsourcing agreement has reached its expiration date and the delivery strategy of the provider dictates that services are to be stopped. The client is forced to change to another provider or to create delivery capacity again within their own facility.

b) The outsourcing agreement has reached its expiration date and the sourcing strategy of the client dictates that delivery should occur in house again or with another provider.

c) A fundamental dispute during the “deliver value” phase. Such a dispute may arise from several sources be it financial, commercial or performance related. In all dispute cases the fundamental quality of the relationship between organizations is being tested.

d) A premature no-go decision being made during the outsourcing life cycle.

6 Phase 1: Outsourcing strategy analysis

6.1 General

The purpose of the “outsourcing strategy analysis” phase is to evaluate and initiate outsourcing opportunities and also establish and maintain an outsourcing strategy that meets business goals and requirements. By doing so, only then will the organization be able to:

a) fully assess the value that outsourcing might bring to the organization;

b) fully assess the feasibility of the outsourcing options available to the organization;

c) safeguard the success of the process to achieve its potential value;

d) minimize negative consequences;

e) learn from experience.

The outsourcing process typically starts when the leadership observe an outsourcing opportunity, such as the following:

— it is clear that current in-house services are too expensive, underperforming, below benchmark levels or provide insufficient opportunities for scalability;

— an organization is developing a new service with unique specifications and the organization does not have the internal competencies, time, budget or desire to do so: as a consequence, the organization intends to outsource development and delivery to an external provider;

— if the current provider is delivering services but not meeting agreement terms;

— current delivery is not or no longer in line with the organization’s strategy and goals;

— if the outsourcing contract is approaching its expiration date.

At any stage of the life cycle, the outsourcing strategy could also be reconsidered if there is any change in the organization’s sourcing strategy or if the (expected) value is not achievable.

Before deciding to outsource, it is important that the implications are fully understood. To do so, a funnel approach can be used (see Figure 4). The funnel approach will help identify, validate and only execute outsourcing opportunities that will positively sustain business and sourcing strategy. Figure 4 also shows two arrows from the “deliver value” phase. These are drawn to indicate that a termination or exit needs to be processed for alignment to the sourcing strategy and to evaluate the current outsourcing arrangement, benefits and satisfaction, before making a renewal decision within governance.

First check whether the necessary pre-work has been carried out (see 6.2). Furthermore, it is paramount that the organization should get a good understanding of the services eligible for outsourcing (see 6.3) and assess the organizational impact of outsourcing (see 6.4). When a detailed understanding has been created, the organization can properly define the outsourcing strategy (see 6.5) and formulate a corresponding business case describing the value that the outsourcing strategy will potentially deliver (see 6.6). The leadership is then engaged to evaluate the strategy and the business case and decide on the course of actions to be taken (see 6.7). When agreed to proceed, an outsourcing project should be set-up to execute the outsourcing strategy (see 6.8) to create a new, renew or exit a current outsourcing arrangement.

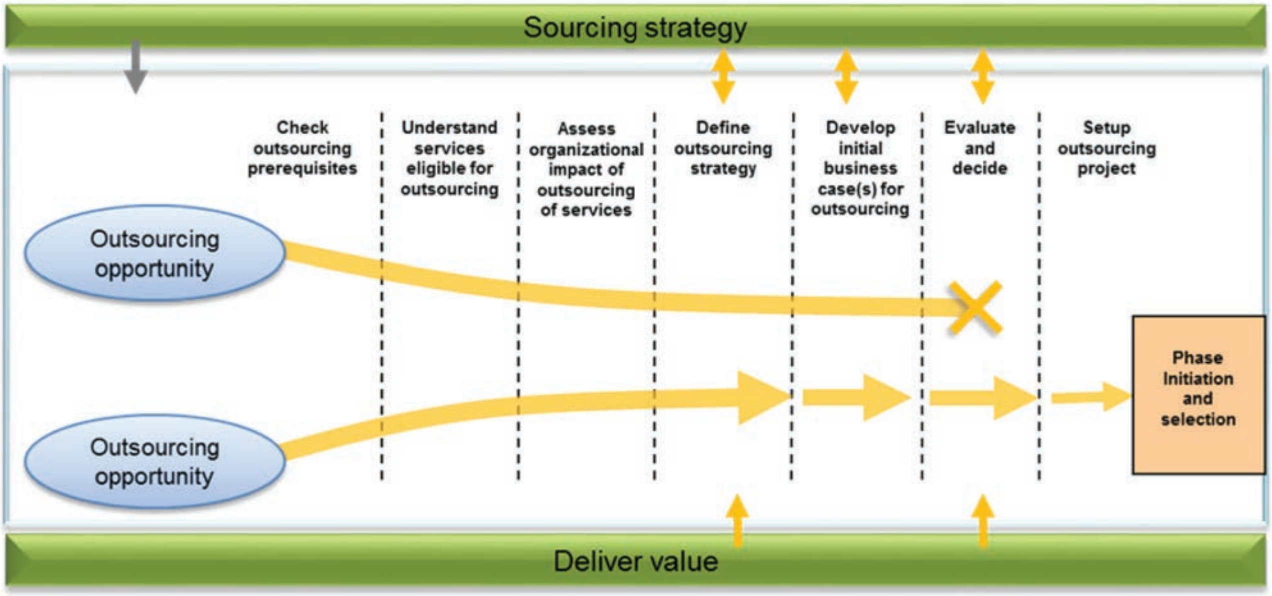

Figure 4 — Outsourcing strategy analysis funnel

The phase "outsourcing strategy analysis" is structured according to the process illustrated in Figure 4.

The main activities in this process are to:

a) check outsourcing prerequisites

b) understand services eligible for outsourcing;

c) assess organizational impact of outsourcing of services;

d) define outsourcing strategy;

e) develop initial business case(s) for outsourcing ;

f) evaluate and decide;

g) set up outsourcing project.

The main outputs of this phase are:

— an outsourcing strategy;

— an initial business case;

— a decision document;

— an execution plan, detailed for the next phase and high-level overview of the milestones of the remainder of the outsourcing project.

6.2 Check outsourcing prerequisites

The purpose of the "check outsourcing prerequisites" process is to ensure that the organization carries out the necessary preparation work before it continues with the outsourcing strategy analysis activities.

The main activities in this process are to:

a) access the latest business and functional strategies as well as the sourcing strategies and goals, and ensure that these are specific enough to be able to judge and direct the outsourcing opportunity;

b) ensure that the business and the business functions have been properly identified;

c) perform a high-level analysis to validate whether outsourcing initiatives will contribute to strategic goals and consider current and future services, challenges and markets; decide to proceed with the outsourcing strategy whenever all prerequisites are met.

Before going into each phase of the outsourcing life cycle, formal approval for the outcomes of the check of prerequisites should be obtained from the appropriate leadership level.

Key success factors are:

— an up-to-date business and functional strategy and goals document exists and if not, this is addressed at the appropriate leadership level;

— an up-to-date sourcing strategy document exists and if not, this is addressed at the appropriate leadership level;

— the appropriate leadership levels are made aware, understand, accept and support the identified potential opportunities and benefits of outsourcing in relation to their strategy;

— early opportunities for outsourcing are in line with the business strategy and goals and adequately address the business challenges and future services and markets;

— awareness that outsourcing requires business transformation and a change management approach.

The process uses and creates the inputs and outputs shown in Table 5.

Table 5 — Check outsourcing prerequisites

Main inputs	Main outputs
Outsourcing opportunities Business and functional strategy and goals Sourcing strategy and goals Functional strategy and goals Challenges, future services and markets	Validated early outsourcing initiatives Decision to continue the outsourcing initiative by the appropriate leadership level

6.3 Understand services eligible for outsourcing

The purpose of the “understand services eligible for outsourcing” process is to gather information about the services to be outsourced. This information enables organizations to:

— establish scope of services eligible for outsourcing;

— understand the feasibility of the outsourcing opportunities;

— establish basic requirements to be used in the request for information and request for proposal;

— compare current services with outsourced services.

By understanding the agreed formalized organizational processes, business processes, procedures and guiding principles, the organization is able to clearly scope the services eligible for outsourcing and manage the risks more appropriately. Enterprise process blueprints and models provide the framework for ensuring that enterprise wide goals and policies are properly and accurately reflected in decision making related to the outsourcing strategy.

The main activities in this process are:

a) identify services and specify boundaries, drill-down from enterprise model to service blueprints and models addressing processes, people, tools and technologies;

b) identify the role of the service in the organization’s value chain;

c) identify (strategic) importance of the service and possible restrictions for outsourcing;

d) identify underlying service elements, processes and interactions (can the service/process be detached from the organization);

e) identify resources and assets, e.g. personnel, knowledge base, intellectual property, applications, data, hardware or machinery;

f) determine service volumes, quality, costs, known risks and constraints;

g) identify current performance levels and their consistency;

h) benchmark current services on cost and/or performance;

i) identify targets of improvement and strategic constraints.

The information gathered here should be handed over to the next phase (see 7.2) for further detailing.

Understanding services eligible for outsourcing is the primary responsibility of the leadership supported by functional management, for example the operations manager. The leadership may also be supported by suitably experienced outsourcing consultants.

Key success factors are:

— availability of accurate and objective performance data on volumes, quality, costs, present unit productivity trend, risks and constraints per service;

— clear definition of scope and demarcation of services;

— availability of knowledge on organizational processes and service management;

— management commitment.

The process uses and creates the inputs and outputs shown in Table 6.

Table 6 — Understand services eligible for outsourcing

Main inputs	Main output
Service descriptions Agreed formalized organizational processes Current service level agreements (SLAs) and agreements Service levels and metrics, volumes, quality, costs, risks, constraints Asset and inventory list Benchmark data Business and process documentation	Detailed information on potential services for outsourcing (combination of the main inputs)

6.4 Assess organizational impact of outsourcing of services

The purpose of the "assess organizational impact of outsourcing of services" process is to identify the consequences of outsourcing. This can now be done since the organization has gained clarity on the outsourcing opportunity (see 6.3). By exploring the strategic implications and risks, the organization's leadership can evaluate potential value and probability of success of outsourcing.

The main activities in this process are:

a) determine benefits of outsourcing compared to the current situation, i.e. positive contribution to business, functional and sourcing strategy and goals and other benefits;

b) determine costs and sacrifices of outsourcing compared to current situation, i.e. negative contribution to business, functional and sourcing strategy and goals and other costs;

c) determine risks of outsourcing compared to current situation, i.e. potential negative influences on achieving the business, impact on flexibility and agility, functional and sourcing strategy and goals, and document this in the initial risk assessment;

NOTE For more guidance, see Annex B.

d) determine constraints of outsourcing compared to current situation, i.e. possible restrictive influences on achieving the business, functional and sourcing strategy and goals;

e) determine fulfilment of other requirements, e.g. compliance with laws and regulations;

f) determine outsource performance;

g) create an impact analysis report mentioning the benefits, costs, risks, constraints and other impacted factors after outsourcing, depicting the best, worst and most likely case.

The benefits of outsourcing should not only be expressed in financial and quantitative terms, but also in qualitative terms such as employee morale or client and customer satisfaction. As the effects of outsourcing are at times unsettling, an organization should investigate the effects thoroughly. In Annex C a list is included of possible factors that might be impacted.

Key success factors are:

— sufficient rigour and inclusion of right disciplines whilst assessing the impact of outsourcing on the organization;

— consequences of outsourcing are understood by the appropriate level of management.

The process uses and creates the inputs and outputs shown in Table 7.

Table 7 — Assess organizational impact of outsourcing of services

Main input	Main outputs
Detailed information on potential services for outsourcing	Initial risk assessment
	Impact analysis reports
	Benefit analysis reports

6.5 Define outsourcing strategy

The purpose of the “define outsourcing strategy” process is to formalize the business goals and prerequisites for outsourcing.

The outsourcing strategy describes the organization’s overall approach for outsourcing consisting of a set of services and corresponding outsourcing opportunities. A selection of services may be combined to create a specific outsourcing scenario. A business case can then be created for each scenario.

Building an outsourcing strategy is not a single point-in-time action. Future changes to the business, functional and sourcing strategies might invalidate or require changes to the outsourcing strategy.

The main activities in this process are to:

a) formulate outsourcing scenarios based on the impact analysis reports and create an outsourcing strategy portfolio;

b) determine the requirements for outsourcing models and governance. The outsourcing model and outsourcing governance specify the organizational layout, authority and responsibilities with respect to the applicable service;

c) determine the organization’s risk management and control approach with respect to outsourcing;

NOTE See Annex B and ISO 31000.

d) determine the organization's provider selection approach;

e) determine the organization's transfer and transformation approach. This includes a definition of the organization's human resources impact assessment method for outsourcing business cases.

An outsourcing strategy contains the following aspects.

— Outsourcing goals: what are the primary goals, principles and constraints for determining the outsourcing strategy, and what value should the outsourcing strategy deliver?

— Outsourcing model: what combination of services, including people, process and/or technology, can be outsourced and why?

— Outsourcing approach: for example single sourcing, multi-sourcing, domestic sourcing, near-shoring or offshoring, limited tender, open tender.

— Type of relationship with the provider: The nature of the desired relationships depends on:

  — the business impact of the outsourcing on the client's core processes;

  — whether the service is a commodity or specialized.

— Scope document: Lists all business processes and systems permitted to outsource, services and categories to be outsourced and applicable geographies. Lists all areas and processes that are excluded from outsourcing.

— Detailed strategy: Determine the consequences, risks and underlying choices to implement the preferred outsourcing model.

— Scenario selection criteria: The criteria by which one selects the optimal outsourcing solution.

— High-level execution plan: The way in which the aspects as listed above can be implemented.

— High-level business case: Provide insight in the financial and non-financial consequences of the preferred outsourcing model.

Before proceeding to the next phase of the outsourcing life cycle, formal approval for the outsourcing strategy should be obtained from the top leadership.

The strategy process is also triggered if an exit decision is to be made or major reconsiderations are required. In this case the current outsourcing arrangement is to be validated if it is still aligned to the overall outsourcing strategy and is providing the benefits as expected (see also 6.7 and Annex I). Possible early termination of an existing outsourcing contract may require (re)defining the outsourcing strategy.

Key success factors are:

— data availability and quality to build a business case;

— clear long term goals;

— formal approval of the outsourcing strategy from appropriate leadership.

The process uses and creates the inputs and outputs shown in Table 8.

Table 8 — Define outsourcing strategy

Main inputs	Main outputs
Business strategy Relevant functional strategies Potential services for outsourcing Initial business wide risk assessment Corporate governance principles Outsourcing evaluation document	Outsourcing strategy Outsourcing model

6.6 Develop initial business case(s) for outsourcing

The purpose of the “develop initial business case(s) for outsourcing” process is to help management in deciding whether the intended outsourcing strategy will meet the business and sourcing strategy and goals and determine to what degree these are in line with the organization’s strategy.

“Develop initial business case(s) for outsourcing” is the process aimed at delivering a documented deliverable called the business case. A business case should be prepared for each outsourcing alternative. Based on the results from the ”assess organizational impact of outsourcing of services” and the “define outsourcing strategy” processes, the initial business case can now be developed. The business case should be refined at each subsequent phase and serve as an important management instrument for managing the value delivery.

The main activities in this process are:

a) develop initial business case(s) (see Annex C);

b) approve initial business case(s) by financial sponsor, functional manager, process owner or outsourcing sponsor.

The process uses and creates the inputs and outputs shown in Table 9.

Table 9 — Define initial business case(s) for outsourcing

Main inputs	Main output
Impact analysis reports Benefit analysis reports Outsourcing strategy	Initial business case(s)

6.7 Evaluate and decide

The purpose of the “evaluate and decide” process is to decide whether or not to proceed with the proposed strategy and implications, as set out in the respective processes of “define outsourcing strategy”, or to consider the continuation of an existing outsourcing arrangement.

The decision should be made on the basis of the facts presented in the business case and the information gathered in the previous phases and includes quantitative and qualitative arguments. The decision should positively contribute to the business, functional, sourcing and outsourcing strategy. In case the analysis shows a negative outcome, the decision for outsourcing should be reconsidered and possibly abandoned. More broadly stated, a decision should be made based on the proposal that has the highest potential and acceptable business risk. This trade-off should be clear.

The main activities in this process are to:

a) prepare a decision document comprising the outsourcing strategy and business case;

b) formal approval and mandate to execute outsourcing strategy;

c) when applicable, evaluate the current expiring outsourcing arrangement. (See also Annex I for terminating an existing outsourcing arrangements.)

Key success factors are:

— involvement and alignment of stakeholders;

— decision based on quantitative and qualitative arguments.

The process uses and creates the inputs and outputs shown in Table 10.

Table 10 — Evaluate and decide

Main inputs	Main output
Outsourcing strategy Business case Outsourcing evaluation document	Decision document

6.8 Set up outsourcing project

The purpose of the "set up outsourcing project" process is to develop a detailed assignment and install a project team in charge of carrying out the "initiation and selection" and the "transition" phase. Realization of the outsourcing arrangement should be considered a project effort, as it is a multifunctional step-out from business as usual.

The main activities in this process are:

a) create a project charter, determine the project boundaries in terms of costs, scope and time, acceptance criteria, timelines, milestones, governance, project team, top leadership, etc.;

b) all key-roles defined in the project charter should be appointed;

c) provide evaluation criteria;

d) brief project team and initiate communication with stakeholders;

e) establish the outsourcing governance framework and practices (see Clause 5).

NOTE See ISO 21500 for further guidance on project management.

Key success factors are:

— the appropriate level of management is appointed owner of the outsourcing project and will provide mandate;

— adequate and competent resources are assigned;

— the appropriate level of management shows commitment to the exploration of a new possible strategic direction;

— realistic timeframe for project.

The process uses and creates the inputs and outputs shown in Table 11.

Table 11 — Set-up outsourcing project

Main input	Main outputs
Positive decision to outsource	Installed outsourcing project team Initiated governance processes Outsourcing project management plan

7 Phase 2: Initiation and selection

7.1 General

The purpose of the "initiation and selection" phase is to specify the requirements for outsourcing, the identified outsourcing goals, to select adequate providers and to successfully establish the outsourcing agreements.

The phase begins being based on a positive decision on the outsourcing project in the "outsourcing strategy analysis" phase. It ends when the outsourcing agreements are successfully established.

This phase consists of the following processes:

a) detail required services;

b) detail outsourcing model;

c) define agreement requirements and structure;

d) identify potential providers;

e) shortlist providers;

f) outline agreements;

g) negotiate and establish agreements.

The main outputs of this phase are:

— detailed outsourcing model;

— record of provider selection process (audit trail);

— selected provider;

— signed outsourcing agreements;

— detailed business case;

— detailed risk assessment;

— transition plan.

7.2 Detail required services

The purpose of the "detail required services" process is to develop a detailed description of all services identified in the "outsourcing strategy analysis" phase. These service descriptions should include all necessary information for providing the services, e.g. input, output, required results, and responsibilities. The service requirements resulting from this process form the basis for the subsequent processes "identify potential providers" (see 7.5) and "shortlist providers" (see 7.6). Service requirements constitute an essential part of the future outsourcing agreement.

The main activities in this process are:

a) create template for detailed and consistent service description from a business point of view;

b) describe current and required services including requirements and outcomes;

c) assess the current and forecasted quality and quantity structure (service levels) of the required services;

d) define pricing structure;

e) define business impact metrics and key performance indicators (KPIs);

f) assure completeness and validity of the service descriptions;

g) assure adequacy of service levels and pricing structure;

h) assure validity of the quality and quantity structure;

i) identify service boundaries and interactions between client and provider or third parties;

j) update the business case;

k) update the risk assessment.

The service descriptions should focus on standard services with a repetitive character rather than on unique and project-oriented services. Defining the service description should include an identification of transformational needs that might originate from outsourcing these services.

Key success factors are:

— involvement of knowledgeable service owners to ensure complete and accurate service description and requirements;

— reliable information on quantity and quality requirements;

— accurate identification and definition of technical requirements based on the service description.

The process uses and creates the inputs and outputs shown in Table 12.

Table 12 — Detail required services

Main inputs	Main outputs
Positive decision on the outsourcing project	Service requirement specifications
Initial business case	Updated business case
Initial risk analysis	Updated risk analysis

7.3 Detail outsourcing model

The purpose of the "detail outsourcing model" process is to detail the outsourcing model from the "outsourcing strategy analysis" phase into a specific tailored outsourcing model for the scope and assignment at hand. The outsourcing model should reflect whether the required services are standardized or customized and provide adequate flexibility.

The main activities in this process are to define the requirements from a client perspective for:

a) outsourcing governance;

b) innovation management;

c) transition management;

d) change management;

e) asset and knowledge management;

f) quality and performance management (see ISO 9001 for further information);

g) delivery (see ISO/IEC 20000for further information on IT outsourcing);

h) commercial and financial arrangements;

i) risk, audit and compliance (see ISO 31000, ISO/IEC 27001 and ISO 19011 for further information);

NOTE DIN SPEC 1041 provides a concise description of relevant frameworks.

j) business continuity (see ISO 22301 for further information);

l) provider management inclusive retained organization. A provider may be involved to assist a client with this process.

m) socially responsible outsourcing

The requirements form the basis for the definition of necessary frameworks (e.g. delivery framework, compliance, risk and audit framework etc.). Each framework should include a specification of the relevant structure, processes, roles and responsibilities for the purpose of a joint management process. They need to be updated and adjusted when a provider is selected.

Key success factors are:

— alignment of outsourcing model with the defined business case;

— consideration of cultural aspects;

— designing frameworks that enable effective joint decision making.

The process uses and creates the inputs and outputs shown in Table 13.

Table 13 — Detail outsourcing model

Main inputs	Main output
Outsourcing model Outsourcing strategy Updated business case Service requirement specifications Relationship matrix	Detailed outsourcing model

7.4 Define agreement requirements and structure

The purpose of the “define agreement requirements and structure” process is to define an agreement structure and to identify and draft the mandatory and optional components of the prospective agreement(s).

The main activities in this process are:

a) review existing agreements or related documents for reference;

b) consult stakeholders where applicable (e.g. service recipients, current service owners, workers’ council, legal, tax purchasing, IT, finance, quality management, environmental, research and development, intellectual property and security departments);

c) define agreement requirements;

d) ensure completeness of identified requirements;

e) if applicable define agreement structure;

f) if applicable draft agreements and non disclosure agreement for the request for proposal process.

Depending on the outsourcing arrangement, specific aspects (quality, environmental and/or company regulations, etc.) need to be considered and to be reflected in the draft agreements. They should at least include generic terms, conditions and the duration of the contract.

NOTE For further information, see Annex F.

Key success factors are:

— consideration of all relevant laws and regulations;

— alignment of agreements with the business strategy and business case;

— involvement of all stakeholders, including legal support.

The process uses and creates the inputs and outputs shown in Table 14.

Table 14 — Define agreement requirements and structure

Main inputs	Main outputs
Outsourcing strategy	Draft version of outsourcing agreements
Initial business case	Draft non-disclosure agreement (NDA)
Detailed outsourcing model	
Service requirement specifications	
Relevant laws and regulations	
Relevant internal policies	

7.5 Identify potential providers

The purpose of the “identify potential providers” process is to assess the market to identify and to evaluate all potential providers based on defined selection criteria.

One or all of the following information gathering methods should be considered for identifying potential providers:

— company internal inquiry, e.g. preferred provider list;

— enquiry of business networks;

— market research and (benchmark) studies;

— request for information;

— legal requirements affecting or restricting identification methods (public tender laws and regulations, purchasing regulations, etc.).

NOTE 1 For further information see Annex D.

The main activities in this process are:

a) create a high-level evaluation matrix or methodology as a basis for weighting and ranking the different information aspects;

b) identify potential providers by applying one or multiple of the above mentioned methods;

c) in case of a request for information, requested information should be specified by the client and provided by the provider;

NOTE 2 Annex D provides typical topics included in a request for information.

d) the provider should elaborate unique capability, options, benefits, considerations that will impact client expectations;

e) compare offered services and terms and conditions to:

1) service requirement specification;

2) requirements originating from the defined outsourcing and governance model;

3) requirements originating from the draft outsourcing agreement.

f) draft and prepare a list of potential providers weighted and ranked according to the evaluation matrix or methodology;

g) select candidates for the “shortlist providers” process.

Typical categories of evaluation criteria used in the evaluation matrix are:

— fit to outsourcing strategy;

— fit to service requirements;

— company type;

— cultural fit;

— relative size of the provider;

— business risks that may pertain to process, financial, continuity, geopolitical, currency, macro-economic, partner viability, supply chain etc.

Key success factors are:

— transparent, clear and consistent selection criteria;

— balance between quantitative and qualitative criteria;

— identifying adequate and relevant providers is the key to a successful selection process.

The process uses and creates the inputs and outputs shown in Table 15.

Table 15 — Identify potential providers

Main inputs	Main outputs
Service requirement specifications	Request for information
Detailed outsourcing model	High-level evaluation matrix
Draft outsourcing agreements	List of potential providers
	Record of provider selection process (audit trail)

7.6 Shortlist providers

The purpose of the “shortlist providers” process is to make an informed decision on which providers are considered to be the shortlisted providers for entering the agreement negotiations.

The main activities in this process are:

a) detail the evaluation matrix or methodology and selection criteria;

b) prepare one harmonised request for proposal (see Annex E);

c) send out the request for proposal to the identified potential providers;

d) provider to prepare and submit proposals to the client;

e) handle information requests to clarify requirements and intentions;

f) analyse and rank the received proposals based on the evaluation matrix;

g) carry out provider proposal meetings between the client and selected providers;

h) obtain a more detailed proposal from selected providers, if required;

i) update the ranking;

j) draft and prepare a list of shortlisted providers ranked according to the evaluation matrix or methodology;

k) select candidates for the “outline agreements” and “negotiate and establish agreements” processes.

The evaluation matrix should generally be defined in the preceding process “identify potential providers”. The evaluation criteria should be detailed in this process and should be considered for the preparation of the request for proposal.

With the received proposals from the potential providers more precise information is available to the client for evaluating the candidates. The received information should be considered for updating the evaluation matrix and for identifying candidates for the “outline agreements” and “negotiate and establish agreements” processes.

Legal requirements might mandate publishing the selection criteria and weighting for the request for proposal, and keeping record of the selection process.

Depending on the outsourcing arrangement and available potential providers, several selection cycles might be necessary.

Key success factors are:

— transparent, clear and consistent application of selection criteria;

— adequate weighting of quantitative and qualitative criteria;

— good understanding of management values and culture.

The process uses and creates the inputs and outputs shown in Table 16.

Table 16 — Shortlist providers

Main inputs	Main outputs
List of potential providers	Request for proposal
High-level evaluation matrix and criteria	Detailed evaluation matrix and criteria
Draft outsourcing agreements	List of shortlisted providers
Record of provider selection process (audit trail)	Updated record of provider selection process (audit trail)

7.7 Outline agreements

The purpose of the “outline agreements” process is to draft, discuss and consent on all agreements for the outsourcing relationship with one or more shortlisted providers, depending on policy and regulatory requirements.

The main activities in this process are:

a) perform due diligence investigations and further narrow down shortlisted providers (candidates identified for negotiation) for next activities;

b) prepare a mutual agreement document that outlines the following:

   1) restrictions and limitations from client and provider side;

   2) service descriptions and levels, approved service catalogue;

   3) terms and conditions;

   4) post-service guarantee issues

   5) detailed outsourcing model including relevant frameworks;

6) draft transition plan (see Annex G for further information);

7) draft transformation plan;

8) baselining methodology;

9) exit management;

c) review and legally assess the outsourcing agreements;

d) update the business case if applicable;

e) identify open issues for negotiations.

Key success factors are:

— definition of adequate service levels especially in respect to a cost-benefit consideration,

— mutual agreement on all aspects of the outsourcing relationship.

The process uses and creates the inputs and outputs shown in Table 17.

Table 17 — Outline agreements

Main inputs	Main outputs
Shortlisted providers	List of candidates identified for negotiation
Service requirement specification	Updated business case
Draft outsourcing agreements	Due diligence report
Detailed outsourcing model	Draft agreement documents including:
	- Master agreement
	- Terms and conditions
	- Service agreements
	- Service catalogue
	- Service descriptions
	- Service level
	- Detailed outsourcing model, including relevant frameworks
	- Transition plan
	- Transformation plan
	- Exit management
	- Additional agreements
	- NDA

7.8 Negotiate and establish agreements

The purpose of the "negotiate and establish agreements" process is to negotiate the agreements and have them signed by the client and the finally selected provider.

Depending on the results of the "shortlist provider" and "outline agreements" processes, negotiations can take place between the client and one or more negotiation candidate(s).

The main activities in this process are:

a) negotiate agreements;

b) negotiate quality, volume and price;

c) finally select the appropriate provider;

d) conduct a legal, compliance and risk review;

e) sign-off the agreements;

f) update business case and risk assessment.

Key success factors are:

— consideration of restrictions on client and provider side;

— adequate balance between qualitative and quantitative aspects;

— identification of potential disagreements that should be addressed and solved in the “negotiate and establish agreements” process;

— clear understanding of the outsourcing governance and management culture;

— clear understanding of joint activities, effort and cost for transition;

— clear understanding of transformation and/or service change expectations after transition;

— clear tasks, roles and responsibilities.

The process uses and creates the inputs and outputs shown in Table 18.

Table 18 — Negotiate and establish agreements

Main inputs	Main outputs
List of candidates identified for negotiation	Updated business case
Mutually finalized agreements documents	Signed agreements documents including:
	- Master agreement
	- Service agreements
	- Terms and conditions
	- Exit management
	- Service catalogue
	- Service descriptions
	- Service level
	- Detailed outsourcing model, including relevant frameworks
	- Transition plan
	- Transformation plan
	- Additional agreements
	- NDA

8 Phase 3: Transition

8.1 General

The purpose of the “transition” phase is to enable the provider to establish delivery capabilities that are set into full operation in the “deliver value” phase. By establishing these capabilities, the provider prepares the foundation for being able to fulfil its service delivery responsibilities. Most often the provider transfers an already existing service from the client’s internal functions or from an incumbent provider if the service is already outsourced. The phase commences after the selection of the provider in the “initiation and selection” phase with the signing of the outsourcing agreements. This phase uses the following outputs from the “initiation and selection” phase:

— agreed solutions as specified in the agreements, terms and conditions;

— service agreements, requirement specifications, service catalogue and descriptions, service levels;

— detailed outsourcing model and updated business case;

— transition plan.

Active participation of the client throughout this phase along with collaborative planning is essential for success of this phase. Transition managers of both client and provider should have the common objective of meeting the project goals and should ensure that all stakeholders are updated, both internal and external (see ISO 21500).

The phase ends when the delivery capability is confirmed according to agreed specifications. The transfer of responsibility to the provider is initiated after key stakeholders reviewed the performance test results and grant their sign-off, highlighting the client's confidence in the provider delivery capability and accept the residual risk. The business case should be updated and this, together with the performance level obtained, should form the baseline for evaluation purposes.

This phase consists of the following processes:

a) establish transition project team;

b) establish outsourcing governance;

c) refine delivery framework and transition plan;

d) refine knowledge acquisition;

e) execute transition of knowledge, people, processes and technology;

f) deploy the quality, risk, audit and compliance frameworks;

g) deploy asset and knowledge management framework;

h) deploy delivery type frameworks;

i) test service delivery capability;

j) pilot and handover;

The main outputs of this phase are:

— established delivery capability;

— baselined business case;

— formal sign off transfer.

8.2 Establish transition project team

The purpose of the "establish transition project team" process is to define the needed roles and responsibilities and assign resources for the "transition" phase.

The main activities in this process are:

a) set up a transition project team;

b) set up a transfer management committee and define meeting frequency;

c) demarcate and articulate responsibilities of transition managers from the involved client and provider by establishing a responsibility matrix at the beginning of this phase. Develop the project team structure that would define the reporting framework;

d) identify members of the core transition team who would support the transition managers;

e) define, assign roles and responsibilities to the individual transition team members of both client and provider;

f) if applicable, the client should consider a change manager to facilitate a seamless restructuring of the team resultant from services outsourcing. This is to ensure negligible impact to employee morale and no business impact.

Key success factors are:

— both transition managers should be trained or have the competency for the task, such as facilitating, communication, and conflict/issues resolution skills;

— the transition management committee should appreciate the sensitive nature of the outsourcing strategy, especially while communicating to employees and existing providers, so as to reduce the risk of resistance to outsourcing.

The process uses and creates the inputs and outputs shown in Table 19.

Table 19 — Establish transition project team

Main inputs	Main outputs
Master agreement	Communication and escalation procedures
Service agreements	Transition management committee and other contact details
Additional agreements	Refined responsibility matrix
Transition plan	
Responsibility matrix	
Environment description	

8.3 Establish outsourcing governance

The purpose of the “establish outsourcing governance” process is to establish the smooth coordination of the “transition” phase and to establish the outsourcing governance.

The main activities in this process are:

a) review of the agreed outsourcing governance by client and provider;

b) identify and assign people to the appropriate roles defined in the outsourcing governance;

c) provide work environment and infrastructure if applicable;

d) set up communication channels, protocols, escalation templates and governance reports;

e) train people according to their roles;

f) validate if roles and responsibilities are understood and can be performed;

g) define process for project progress evaluation and review of the key project documents and deliverables;

h) implement plan for periodic updates, review committees, infrastructure and templates.

Key success factors are:

— active involvement of the joint leadership in periodic transition reviews;

— leadership commitment of the client and provider involved;

— continuity of allocated management resources: they should remain in place during the “transition” phase as well as going to the “deliver value” phase. discontinuities of leadership causes serious loss of context;

— effective communication, regular updates among key stakeholders at client and provider;

— timely resolution to top priority issues and exceptions.

NOTE For further information, see Clause 5 on governance.

The process uses and creates the inputs and outputs shown in Table 20.

Table 20 — Establish outsourcing governance

Main inputs	Main output
Refined responsibility matrix Relationship matrix Outsourcing governance framework from the detailed outsourcing model Transition plan, various agreements Communication and escalation procedure Reporting framework from the detailed outsourcing model	Outsourcing governance meetings schedule

8.4 Refine delivery frameworks and transition plan

The purpose of the "refine delivery frameworks and transition plan" process is to review and elaborate the operational frameworks and the detailed transition plan that was prepared in the "initiation and selection" phase. (See also Annex G.)

The main activities in this process are:

a) refine the delivery framework by undertaking a gap analysis, defining metrics and measurements and performance management. ;

b) identify work environment and infrastructure requirements;

c) validate capacity, people and volume prognoses;

d) identify people competency requirements for all roles;

e) update all the above framework documents;

f) develop detailed operational transition plans, highlight variances to original plan, if any;

g) manage the implementation and periodic review of transition plans, and sign-off from process owners and appropriate leadership of both client and provider;

h) initiate procurement of machinery, software and regulatory licences, other activities that have a lead time;

i) create roles in accordance with proposed structure, agree capacity and framework requirements;

j) refine business continuity framework (see ISO 22301);

k) refine change management framework (see ISO/IEC 20000).

Key success factors are:

— involvement of appropriate leadership in accordance with project milestones and whenever needed for resolving exceptions;

— commitment of process owners and management from both client and provider;

— analysis of historical process performance and current baseline measures to help forecast performance standards along interim goals where applicable;

— validate country specific language, compliance and legal requirements;

— identification of the critical path for managing transition activities.

The process uses and creates the inputs and outputs shown in Table 21.

Table 21 — Refine delivery frameworks and transition plan

Main inputs	Main outputs
Due diligence report if applicable Delivery framework from the detailed outsourcing model Transition plan Service specification requirements Process maps, blueprints, drawings if exists Standard operating procedures (SOPs) Detailed services baseline reports Proposed/historical capacity plans	Updated framework documents Selected set of SOPs Operational transition plan Risk report Capacity plans

8.5 Refine knowledge acquisition

The purpose of the “refine knowledge acquisition” process is to enable the provider to obtain the knowledge required for the service provision from the client or the existing provider. Therefore, the process for knowledge acquisition defined in the original solution needs to be refined for implementation.

The main activities in this process are:

a) refine of knowledge acquisition methodology and knowledge assessment plan;

b) provide operational resources including work environment and infrastructure by both client and provider to support knowledge acquisition;

c) acquire knowledge and documents as appropriate. This should, at a minimum, include detailed business process documentation, SOPs, process maps and exception handling procedures descriptions;

d) refine the ‘to be’ processes based on current processes if needed this should at a minimum include working instructions and detailed process maps exception handling procedures descriptions;

e) develop an updated management process which supports comprehensive capture of knowledge, and aid resolution to outstanding provider queries and clarifications.

Knowledge acquisition could include the following aids:

— formal presentations;

— instructor-led training;

— focus groups;

— question and answer sessions;

— (documented) working experiences on the client machinery, systems and processing equipment as applicable;

— existing business process documents, all business/system knowledge, that the client will document or has documented.

Key success factors are:

— a jointly defined knowledge acquisition methodology and plan.

The process uses and creates the inputs and outputs shown in Table 22.

Table 22 — Refine knowledge acquisition

Main inputs	Main outputs
Due diligence report Process maps, blueprints, drawings if exists Selected set of SOPs Current training manuals System descriptions	System descriptions and process maps Client's business model (for the providers' employees to understand the client, client's customers, industry, etc.) Refined SOPs Glossary of used terms Agreed maintenance manuals Agreed training manuals

8.6 Execute transition of knowledge, people, processes and technology

The purpose of the "execute transition of knowledge, people, processes and technology" process is ensuring a secure, complete and effective transition of required knowledge, people, processes and client assets, and technologies in order to assure that the services are installed on time, in accordance with quality expectations and within budget.

The main activities in this process are:

a) mobilizing resources in accordance with agreed capacity plan by both client and provider;

b) provision of operational resources including work environment and infrastructure by both client and provider;

c) ensuring all responsibilities have been transferred and relevant HR procedures have been followed;

d) putting in place all procedures, training curricula and manuals, training plans, handouts, standards and SOPs;

e) certifying trainers;

f) providing user rights, access levels, restrictions, etc. at client and provider's work environments;

g) ensuring that knowledge transfer is completed through appropriate means including training programmes/self study, operational policies, procedures, practices applicable in the new environment;

h) assessing, auditing and certifying, if applicable;

i) ensuring that all pending changes/revisions to process, systems are implemented;

j) ensuring smooth transfer for identified people and business related assets to the provider;

k) implementing (country-specific) compliance, security and legal procedures;

l) implementing risk mitigation plans;

m) updating the documented exit management process.

Key success factors are:

— proactive communication to all affected stakeholders;

— analysed and identified gaps;

— the right people with the right competencies are in place;

— implemented risk mitigation plans.

The process uses and creates the inputs and outputs shown in Table 23.

Table 23 — Execute transition of knowledge, people, processes and technology

Main inputs	Main outputs
Revised detailed transition plan System descriptions and process maps Client's business model (for the providers' employees to understand the client, client's customers, industry, etc.) Refined SOPs Glossary of used terms Maintenance manuals Training manuals Refined responsibility matrix Training plans	Transition report Assessed and/or certified trainers Detailed training manuals and aids Risk report Updated exit management process Updated SOPs

8.7 Deploy the quality, risk, audit and compliance frameworks

The purpose of the "deploy the quality, risk, audit and compliance frameworks" process is to implement the quality, risk, audit and compliance framework that is refined in 8.4.

The main activities in this process are:

a) provide work environment and assign roles to resources;

b) set-up audit criteria, e.g. company standards, relevant external standards, legal requirements;

c) implement mechanism for getting information from both a client and provider`s performance and quality management teams;

d) implement risk management framework including reporting (see also ISO 31000);

e) implement audit and compliance framework and reporting;

f) implement performance framework including reporting.

Reports are being passed on to both client and provider by the established joint governance committees.

Key success factors are:

— timely status update meetings and review of action items to maintain compliance;

— analysed and identified gaps and risks;

— client involvement in audit and calibration of the deployed frameworks;

— auditors with assigned roles and with appropriate competencies.

The process uses and creates the inputs and outputs shown in Table 24.

Table 24 — Deploy the quality, risk, audit and compliance frameworks

Main inputs	Main outputs
Existing quality, risk, auditing and compliance manuals Information on process performance including KPI metrics Quality, risk, audit and compliance framework from the detailed outsourcing model Outsourcing agreements	Risk report on the installation of the quality, risk, audit and compliance framework Benchmark analysis plan Quality, risk, audit and compliance plan Process improvement plan Measurement systems and calibration set-up Feedback mechanism

8.8 Deploy asset and knowledge management framework

The purpose of the "deploy asset and knowledge management framework" process is to implement the asset and knowledge management framework.

The main activities in this process are:

a) providing operational resources including asset and knowledge management infrastructure;

b) assigning resources and introduce tasks and responsibilities;

c) training and certifying resources;

d) implementing a mechanism for periodic process updates and associate skill verification plan;

e) implementing policies, procedures and templates;

f) implementing the record management policy for the maintenance of currency of records.

Key success factors are:

— appropriate software tool support for asset and knowledge management;

— periodic review of knowledge records concerning relevance, accuracy and content quality.

The process uses and creates the inputs and outputs shown in Table 25.

Table 25 — Deploy asset and knowledge management framework

Main inputs	Main outputs
Responsibility matrix Capacity plan System descriptions and process maps Revised detailed transition plan Functional documentation Refined SOPs	Available operational resources including asset and knowledge management infrastructure Provisioned infrastructure Trained resources

8.9 Deploy delivery frameworks

The purpose of the "deploy delivery frameworks" process is to implement the different types of delivery frameworks that have been developed in 8.4.

The main activities in this process are:

a) provide environment and infrastructure;

b) assign resources according to capacity plan and introduce tasks and responsibilities;

c) implement staffing plan (schedule, shift plan if applicable);

d) query and clarification resolution mechanism;

e) implement policy, procedures and controls including templates for documentation.

Key success factors are:

— production planning and deploying appropriate controls;

— evaluation of change for impact on service delivery;

— documented clear communication and escalation procedures for service delivery;

— recovery timelines planned in line with business needs;

— set up of disaster recovery team that would lead the recovery when the business continuity plan (BCP) is invoked.

The process uses and creates the inputs and outputs shown in Table 26.

Table 26 — Deploy delivery frameworks

Main inputs	Main outputs
Updated framework documents	Work environment and infrastructure
Outsourcing agreements	Established service and/or production capabilities
Capacity plan	Production planning and controls
Revised detailed transition plan	Staff plan and schedules
Refined SOPs	Delivery team structure set-up
Business continuity framework from the detailed outsourcing model	Provisioned contingency environment and team
	Implemented communication and escalation process
	Implemented delivery, business continuity and change management framework

8.10 Test service delivery capability

The purpose of the "test service delivery capability" process is to describe and ensure a complete and effective testing of delivery capability, applicable frameworks, and knowledge transfer effectiveness and governance process before sign-off of the "transition" phase.

The main activities in this process are:

a) test readiness of work environment, health and safety measures, access control;

b) test of all systems, machinery, assembly or process lines, applications and communications channels concerning functionality, capacity, security, response time, availability and redundancy - as applicable;

c) test of information security, i.e. access rights, access levels, restrictions, exceptions if any;

d) test of incident and problem management procedures;

e) test and/or audit financial reporting quality;

f) test and/or audit performance reporting quality;

g) invoke business continuity plans and response team capability;

h) test applicable frameworks that have been deployed;

i) test the people skills for working on process, with systems and applications and ability to perform desired tasks/job and produce output.

This process describes and ensures a complete and effective risk-based testing of these processes and deliverables as a result of the transition activities. The test results form the basis for recommending commencement of the pilot phase.

Key success factors are:

— client and provider's commitment to fulfilling the predefined acceptance criteria;

— early involvement of the testing teams;

— preservation and maintenance of the test artefacts;

— management and resolving of detected issues and remaining risks;

— not fast tracking, ensuring this phase is performed rigorously.

The process uses and creates the inputs and outputs shown in Table 27.

Table 27 — Test service delivery capability

Main inputs	Main outputs
Acceptance criteria according to the outsourcing agreements	Test artefacts, protocol (audit trail)
Test procedures, instructions and forms	Test reports
System descriptions and process maps	Recommendation commencement to pilot phase
	Capacity report
	Risk report
	Issue report

8.11 Pilot and handover

The purpose of the "pilot and handover" process is to perform the delivery processes at a small percentage of full load and gradually step-up to full load leading to cutover to the provider. The transition management committee should exercise a balanced decision to ensure mutual interests are considered, and appropriate decisions made on the next steps. The transition management committee could recommend any of the following decisions:

— Progress in accordance with cutover plan, increase provider capacity while decreasing existing provider or its staff.

— Re-establish the particular process that is underperforming against plan, this however would dilute the outsourcing business case.

— Continue service delivery in its present form, and defer movement of the particular outsourcing to the provider.

The main activities in this process are:

a) commence with integrated testing of service quality across all machinery and people groups;

b) perform the pilot run by the provider in accordance with plan, including at 100% expected or standard loads (not defined), consolidate performance results;

c) review the increase in volume/quality of performance (metrics) in comparison with the plans;

d) present pilot performance results and recommendations to the appropriate joint governance committee;

e) hand over process formally according to the mutually agreed go-live plan;

f) refine the formal handing over document for moving responsibility 100% to the provider when approved;

g) obtain sign-off from the relevant governance committee for formal handover document.

Wherever present baseline measures are not available (e.g. in case of transformational solution) baselining and benchmarking frameworks should be established, deployed after delivery stabilization, as defined in the "initiation and selection" phase.

Key success factors are:

— monitored performance trends, and associated proficiency level;

— support from subject matter experts during pilot phase;

— reviewed and updated business case;

— clear understanding of residual risk and mitigation plan;

— appropriate leadership of client and provider approving adjusted business case and setting baselines.

The process uses and creates the inputs and outputs shown in Table 28.

Table 28 — Pilot and handover

Main inputs	Main outputs
SOPs	Pilot report
System descriptions and process maps	Formal handover sign-off
Test reports	Baseline of performance and business case
Issue report	Risk report
Risk report	Issue report
	Final SOPs
	Final system descriptions and process maps
	Service and key process audit plan
	Final detailed outsourcing model and frameworks

9 Phase 4: Deliver value

9.1 General

The purpose of the "deliver value" phase is to ensure that both client and provider realize and sustain the benefits of the outsourcing agreement through collaboration. It is the phase where the ongoing delivery of the outsourced service(s) takes place. The objective of this phase is the realization of the outsourcing results, ensuring consistent performance and adherence to commitments that were made in the agreement and during the initiation of the outsourcing relationship.

NOTE In practice, several industries specify guidelines and standards are available with more specific and detailed descriptions.

The phase starts when the client and provider have formally agreed that the "transition" phase has been completed.

Monitoring of the delivery of the outsourced service(s) is an ongoing activity to validate the value creation during the phase.

The phase ends when the relationship is terminated by either the client or the provider. This, for example, happens if the client reaches an agreement with another provider or decides to return the operation back in house. Or alternatively if the provider chooses not to continue to deliver the service on the current terms, or the outsourcing agreement is completed in accordance with the termination date stated in the agreement.

A successful collaboration is dependent on constant review of the delivered quality and if it is in line with the expectations of the parties involved.

This phase consists of the following processes:

a) deliver service;

b) monitor and review service performance;

c) manage and resolve issues;

d) deliver and manage changes;

e) deliver innovation (optional);

f) deliver transformation (optional);

g) manage finances;

h) manage relationships;

i) manage the agreement;

j) value and business case assurance;

k) continuation or end of agreement preparation.

The main outputs of this phase are:

— delivered service performance;

— balanced demand and supply;

— easily accessible managed current joint knowledge;

— analysis of the value delivered against goals, expectations and the business case;

— preparation to make the continuation or exit decision.

9.2 Deliver service

The purpose of the "deliver service" process is to ensure the continued and consistent delivery of service according to the agreed service levels and other commitments made to the client. The "deliver service" process was created from the service design, which was implemented during the "transition" phase of the outsourcing life cycle. Interaction between the client and provider will ensure long-term sustenance of the collaboration.

The provider is responsible for installing and managing the "deliver service" process to ensure the achievement of the agreed service levels and other commitments to the client. However, the client remains responsible for providing timely resources and information, as applicable necessary for the success of the collaboration.

The main activities in this process are:

a) planning and tracking service delivery activities. This should cover the management of the physical assets, the technology infrastructure and the people (personnel structures and competencies). Service delivery plans should be refreshed as an ongoing management activity;

b) demand management and management of capacity to ensure the effective allocation of resources to meet the day-to-day client needs in line with the agreed service levels;

c) ensuring service personnel understand the service expectations committed to the client, with equipment and machinery updated with the necessary preventative maintenance completed;

d) delivering the service in accordance with the service delivery plan and in line with the agreed service levels. This includes managing service requests and modifying service delivery based on agreed changes;

e) ensuring the smooth flow of the service components being delivered across the supply chain end to end;

f) managing the provision of the joint knowledge to ensure successful service delivery;

g) establishing processes to maintain the business continuity of service;

h) operating to the agreed quality plan to ensure reliable service delivery;

i) ensuring appropriately skilled and competent human resources are deployed and updated if necessary;

j) utilizing the agreed SOPs and approved work breakdown instructions where appropriate. Verifying that the work is being performed consistently and effectively against the SLAs and making changes as required;

k) providing training to help support end-users in getting the best out of the service provided;

l) obtaining and analysing stakeholder feedback.

Whilst this process primarily focuses on the provider, the client needs to consider how delivery from the provider integrates into its own operation. This is particularly relevant as many organizations operate in a multi-sourced environment, which makes the integration of multiple providers with its own team a key success factor. Failure to manage this appropriately could stall production, cause wastage or idle time that is irrecoverable.

Key success factors are:

— achievement of the agreed service levels;

— service delivery processes remain updated and keep pace with client demand;

— resources are managed and utilised efficiently and effectively;

— delivery processes are integrated effectively into the client organisation.

The process uses and creates the inputs and outputs shown in Table 29.

Table 29 — Deliver service

Main inputs	Main output
Service requirement specifications Updated framework documents Service levels and agreed service commitments Production planning and controls Staff plan and schedules SOPs System description and process maps Asset and knowledge management infrastructure Implemented delivery, business continuity and change management framework Detailed outsourcing model	Performance data

9.3 Monitor and review service performance (ongoing)

The purpose of the "monitor and review service performance" process is to verify that the agreed-upon service commitments are being met, to take appropriate action when commitments are not met or at risk of being missed and to provide appropriate information to enable continual improvement of the management of the relationship and its performance.

Continual improvement is essential in ensuring the competitiveness of the client in the business ecosystem in which it operates. It also ensures that the provider remains competitive in relation to peer group organizations.

Continual improvement is defined as an ongoing effort to improve services or processes. It can include improvement in efficiencies and/or effectiveness of the outsourcing services delivered and consumed. Examples of areas of focus could include:

— service idle time;

— reducing the cost of poor quality including wastage and re-work;

— improving unit productivity.

The provider should install a process that allows joint monitoring of results and performance in order to draw conclusions and make decisions based on realistic current data.

The main activities in this process are that

a) defined reports should be produced to an agreed schedule, which allow for agreed upon periodic assessment of performance. The reports should be supported with a series of scheduled meetings including a formal meeting to review operational performance and the progress of change, which should take place in accordance with schedule and at the appropriate level; actions arising from formal meetings should be recorded and performance against them reported back at the next meeting;

b) service and relationship performance reporting;

c) performance reporting is shared and reviewed with all relevant stakeholders.

Key success factors are:

— performance is reported and reviewed on a regular basis to track actual performance against agreed commitments;

— performance is actively managed to ensure consistent delivery of agreed commitments to the required quality with actions taken to address and improve performance as necessary.

The process uses and creates the inputs and outputs shown in Table 30.

Table 30 — Monitor and review service performance

Main inputs	Main outputs
Performance data	Performance report
Benchmark analysis plan	Issues report
Quality, risk, audit and compliance plan	
Measurement systems and calibration set-up	
Process improvement plan	
Outsourcing agreements	
Updated framework documents	

9.4 Manage and resolve issues (ongoing)

The purpose of the “manage and resolve issues” process is to ensure that issues and problems can be resolved in a timely and professional manner at the tactical or operational levels. It is inevitable that, on either side, issues and problems will arise during the “deliver value” phase. Therefore it is important that the processes established in the outsourcing governance are effectively implemented and managed to address the issues and problems that can arise, such cases are reviewed by the change committee.

The manage and resolve issues process addresses the operational issues and problem solving activities in order to solve them on a day to day basis. If problems or issues escalate, they are to be reported and handled within governance on outsourcing.

The main activities in this process are:

a) clearly defined and jointly accepted goals should form the foundation of the outsourcing relationship and as such should be the bridge to a resolution in the event of issues and problems. Issues and problems should be resolved taking into account the established joint goals of the relationship;

b) a documented process for logging, classifying, escalating and communicating issues and problems based on their severity;

c) an agreed process for the escalation of issues and/or problems, which cannot be resolved at the point of origin within a set timeframe;

d) an issues register/log including actions, should be maintained which will be reviewed within the appropriate joint governance committee. The client and provider should work together to correct issues and problems and agree the appropriate response;

e) issues log and resolution log should be fed back into the knowledge management systems ensuring future transactions are conducted accurately.

Key success factors are:

— issues and problems are identified at an early stage and proactively managed;

— communication and escalation is appropriate to the severity of the issue and dealt with at the appropriate level of management;

— issues and problems are resolved in a timely manner.

The process uses and creates the inputs and outputs shown in Table 31.

Table 31 — Manage and resolve issues

Main input	Main output
Issues report	Corrective action plan Updated knowledge management system Issues report Escalation report

9.5 Deliver and manage changes (ongoing)

The purpose of the "deliver and manage changes" process is to establish and implement procedures to deliver minor and moderate modifications to the services provided according to the agreed upon change portfolio and/or service mix. It is inevitable that things will change in either, or more likely in both, the external and internal environment during the life of the outsourcing arrangement. Effective control and delivery of change helps to ensure the client, internal stakeholders and the provider(s) maintain a common agreement and understanding around the services and the performance levels to be provided.

The main activities in this process are:

a) documented procedures to record, classify, assess and approve requests for change;

b) enable and support change initiatives that are the result from continual improvement analysis or changed client demand;

c) decision-making should take into consideration the risks, the potential impacts to services, the client, service requirements, business benefits, technical feasibility and the financial impact, resulting in a business case update;

d) an appropriate governance committee (see Annex A) should meet on a regular basis to review, manage and sign-off all changes. It is important that both stakeholders remain consistent with the spirit of the outsourcing agreement and principles agreed in the relationship charter or code of conduct;

e) decisions affecting change to the agreement should be put forward to the appropriate committee level residing within governance.

Key success factors are:

— effective evaluation of change requests to:

  — have a clear feasibility assessment taken into account effort estimations and consequences;

 — have a supporting business case or proposal for implementation;
 — obtain approvals from the right levels where essential;

— a change process which encourages adopting joint responsibility for the service;

— changes are well managed ensuring service stability.

The process uses and creates the inputs and outputs shown in Table 32.

Table 32 — Deliver and manage changes

Main inputs	Main outputs
Request for change	Changed/transformed service specifications
Issues reports	Updated business case
Updated framework documents	Updated SOPs
Change approval	Updated Service delivery framework

9.6 Deliver innovation (optional, ongoing)

The purpose of the "deliver innovation" process is to establish and implement procedures to facilitate the delivery of additional value through innovation.

Often the innovation process resides at either the client or the provider. In many cases, the client expects the provider to deliver innovations and use the latest technologies. When client business drivers require innovations to maintain a competitive advantage then the nature of the relationship between the client and provider will need to reflect this and a formal innovation process should be established and facilitated.

Within governance an appropriate committee should be set up providing the strategic direction, supervision and control of all innovation related activities. Often within delivery a joint innovative or research centre is established. It is important that agreements express clearly how intellectual property is owned.

The main activities in this process are:

a) capture innovation ideas (see Annex H);

b) explore potential business benefits and investment case;

c) deliver a process which qualifies and supports selecting innovation candidates to pursue (see Annex H);

d) develop initiatives via formal sponsored innovation projects;

e) trial initiatives and prove business case enhancement of an initiative;

f) request formal transformation approval from the appropriate governance committee.

NOTE For further information, see CEN/TS 16555–1.

Key success factors are:

— joint investments;

— clear ownership of intellectual property;

— the effective management and delivery of the innovation investment portfolio.

The process uses and creates the inputs and outputs shown in Table 33.

Table 33 — Deliver innovation

Main inputs	Main outputs
Business strategy	Innovation investment proposal
Innovation ideas	Intellectual property
Investment approval	Request for transformation approval

9.7 Deliver transformation (optional)

The purpose of the "deliver transformation" process is to establish and implement procedures to deliver extensive modifications of current services or push innovations into delivery without negatively impacting existing service levels and volumes. Transformation can be executed in parallel during the "transition" phase when services are first transferred and then upgraded by the provider to accommodate higher performance or quality.

Within governance, an appropriate management committee (see Annex A) should be installed to monitor, direct and evaluate the transformation projects and business case effectiveness.

The main activities in this process are:

a) record, classify, assess and approve requests for transformation;

b) create and monitor the business case impact of the transformation initiative;

c) pilot the transformed service and validate the business case;

d) amend agreements to fit in the transformed service;

e) train personnel and handover to delivery manager;

f) obtain delivery and agreement approval by the appropriate governance committee;

g) monitor all transformation initiatives by an appropriate governance committee.

Key success factors are:

— joint investment;

— assessments of business case feasibility;

— understand impact on current delivery processes.

The process uses and creates the inputs and outputs shown in Table 34.

Table 34 — Deliver transformation

Main inputs	Main outputs
Transformation approval	Updated SOPs
Transformation business case	Updated service delivery framework
	Updated business case
	Changed/transformed service specifications

9.8 Manage finances

The purpose of the "manage finances" process is to establish and implement procedures to ensure the financial aspects of the agreement are well-managed and controlled.

Both the client and provider should install a "manage finances" process. These procedures are important in enabling the client and provider to manage and control cost and revenue, effectively evaluate the impact of changes to the agreement, ensure appropriate mechanisms are in place to invoice accurately for services and for the client to verify the invoice, consumption and ensure the timely payment to the agreed terms.

The main activities in this process are:

a) documenting and implementing the procedures required to manage and control the financial aspects of the agreement;

b) identifying the financial attributes which need to be controlled. Understanding the financial drivers which create variance and determining a range of acceptable performance for each financial attribute;

c) creating the financial management reports to be reviewed;

d) tracking and monitoring financial budgets and determining appropriate corrective action to take if variances occur;

e) managing the assets of the agreement, including (jointly) owned intellectual property;

f) performing the financial administration for the agreement, creation, validation and processing of invoices. managing payment problems and managing pricing;

g) auditing the agreement finances to ensure compliance with agreement goals and accounting rules.

Key success factors are:

— cost and revenue are managed in line with expectations and budget with variances acted upon and addressed in a timely manner;

— invoices raised are accurate and timely, easily verifiable and paid to agreed terms;

— enables effective financial evaluation of changes to the agreement.

The process uses and creates the inputs and outputs shown in Table 35.

Table 35 — Manage finances

Main inputs	Main outputs
Outsourcing agreements	Financial reports
Business case	Invoices
Changed/transformed service descriptions and assets	Costs/revenues managed and tracked to budget
Financial data	

9.9 Manage relationships

The purpose of the “manage relationships” process is to ensure relationships with all stakeholders are actively managed in accordance with the practices outlined within the overarching governance section. Typically, it is expected that provider staff should be aware of the client’s business context, mission and core values. This business acumen would help them align to the operating practices and culture of the client. Providing regular updates on key milestones and accomplishments is also a necessity. Managing and maintaining realistic performance expectations, often referred to as expectations management, are a key ongoing requirement throughout the “deliver value” phase of the outsourcing life cycle.

The joint management team should install the “manage relationships” process which should be embedded in line with the relationship management plan and governance model created within the governance section of the outsourcing life cycle.

The main activities in this process are:

a) build confidence and trust with all stakeholders;

b) ensure that client and provider are clear on the behaviours expected of each other, in particular ensuring openness, transparency and honest communications at all times. Processes should also cover the on boarding of new team members;

c) a method of relationship assessment, which should be used on a regular basis to monitor the strength and quality of the relationship. Both the outputs and the corresponding maturity of the collaborative behaviours should be assessed. The output of any assessment is fed back into governance to monitor, evaluate and re-direct the relationship;

d) ensure performance expectations align with agreed requirements through regular stakeholder interactions and expectation setting;

e) a process to review and implement improvements agreed by the joint management team.

Both the client and provider should designate an individual who is responsible for managing the relationship and ensuring client satisfaction. Typically, this will be the relationship manager or account/provider manager.

Key success factors are:

— a collaborative and effective relationship which enables the client and provider to work successfully together;

— aligned stakeholders with realistic performance expectations.

The process uses and creates the inputs and outputs shown in Table 36.

Table 36 — Manage relationships

Main inputs	Main output
Relationship plan Relationship matrix Updated framework documents Outsourcing governance meetings schedules	Relationship assessment report

9.10 Manage the agreement

The purpose of the “manage the agreement” process is to establish and implement procedures for managing the outsourcing agreement throughout the “deliver value” phase.

Both outsourcing partners should install a process to manage the agreement, which ensures compliance is maintained, the agreement remains current with a common understanding across stakeholders of the terms and obligations within the agreement.

The main activities in this process are:

a) protect your organization by monitoring compliance with the agreement;

b) ensure the agreement remains current and up-to-date. Any changes to the agreement should be addressed and signed off by the appropriate governance committee;

c) provide amendments and/or renewal of the agreement with mutual consent.

Both outsourcing partners should designate a contract manager who is responsible for managing the agreement.

Key success factors are:

— an outsourcing agreement which remains current and up to date;

— compliance with the terms and obligations under the agreement;

— aligned stakeholders who understand the agreement to ensure compliance with the agreement.

The process uses and creates the inputs and outputs shown in Table 37.

Table 37 — Manage the agreement

Main inputs	Main output
Outsourcing agreements Changed/transformed services Intellectual property	Updated outsourcing agreements

9.11 Value and business case assurance

The purpose of the “value and business case assurance” process is to establish and maintain procedures for assessing the value realized from the outsourced service.

The client and provider should install the “value and business case assurance” process. The original business case created an expectation around the level of service and value, which would be received. Progress against these goals should be baselined, tracked and measured throughout the “deliver value” phase.

NOTE The output of the end of agreement preparation process is discussed within the appropriate governance committees (strategic level). The output is also used within phase 1 to validate the outsourcing strategy and to evaluate and decide.

The main activities in this process are:

a) maintain and review the business case;

b) establish a baseline for performance assessments (first set baseline at 8.11 “pilot and handover”);

c) document the results of the value analysis and share them with the provider for helping to facilitate performance improvements;

d) identify improvement areas;

e) participate in continual improvement programmes to address identified improvement areas.

Key success factors are:

— a grounded assessment and record of value delivered against goals;

— clear value which is bought into and accepted by all key stakeholders;

— improvement areas identified which can be addressed with the provider.

The process uses and creates the inputs and outputs shown in Table 38.

Table 38 — Value and business case assurance

Main inputs	Main outputs
Business case	Business case report
Performance report	Improvement proposal

9.12 Continuation or end of agreement preparation

The purpose of the “continuation or end of agreement preparation” process is to ensure the parties can make an informed decision about whether to continue with the outsourcing arrangement or are well prepared for when the relationship ends. The parties should maintain an exit strategy which minimizes the disruption and impact.

A joint "continuation or end of agreement preparation" process should be installed. It is likely that both client and provider will have embedded assets in the relationship, ranging from particular skill sets to hard assets, and these have a value to either or both client or provider. The importance of this process is often underestimated and imposes risk to the involved client and provider.

The main activities in this process are:

a) identifying the criteria for making the continuation decision;

b) maintaining an up-to-date exit plan, which is well understood comprehensible and has been tested and reviewed for completeness and continued suitability; the exit plan should include intellectual property rights (IPR) and process knowledge, which are critical for business continuity;

c) validate the business case assurance results, establish and implement procedures for making recommendations about continuing the outsourced service; the recommendations should be considered in the following sequence of processes and activities:

   1) phase 1: outsourcing strategy analysis, the "define outsourcing strategy" process (6.5): validate whether the outsourcing arrangement is still meeting strategic requirements;

   2) phase 1: outsourcing strategy analysis, the "evaluate and decide" process (6.7): evaluate the business case achievements;

   3) the appropriate governance body to follow the outsourcing governance framework "processes of outsourcing governance" (5.5): "governance for phase 1 - outsourcing strategy analysis" (5.5.4.2). "governance for phase 4 – deliver value" (5.5.4.5); the governance body should use these practices and processes to come to a conclusion and make an informed decision or create advice for the operational management team.

Key success factors are:

— clear procedures and criteria for making the continuation decision based on fact-based data;

— an up-to-date exit management plan strategy which is relevant and complete.

The process uses and creates the inputs and outputs shown in Table 39.

Table 39 — Continuation or end of agreement preparation

Main inputs	Main outputs
Performance report	Up to date continuation/exit management plan
Outsourcing agreements	Recommendations
Exit management process	Validated business case
Business case	Outsourcing evaluation document

Annex A
(informative)

Governance committees and meeting structure

The governance meeting structure should define the joint meetings between client and provider and match the internal management structure of the client and provider. The number of the joint management governance committees and the meetings frequencies depends on the scope, size and complexity of the outsourcing arrangement.

The precise nature of these meetings should be determined by a clearly articulated charter, scope and types of decision established between client and provider. A basic structure should at least include a formal and scheduled decision-making committee to enable effective management supervision.

An example of the structure is given in Figure A.1.

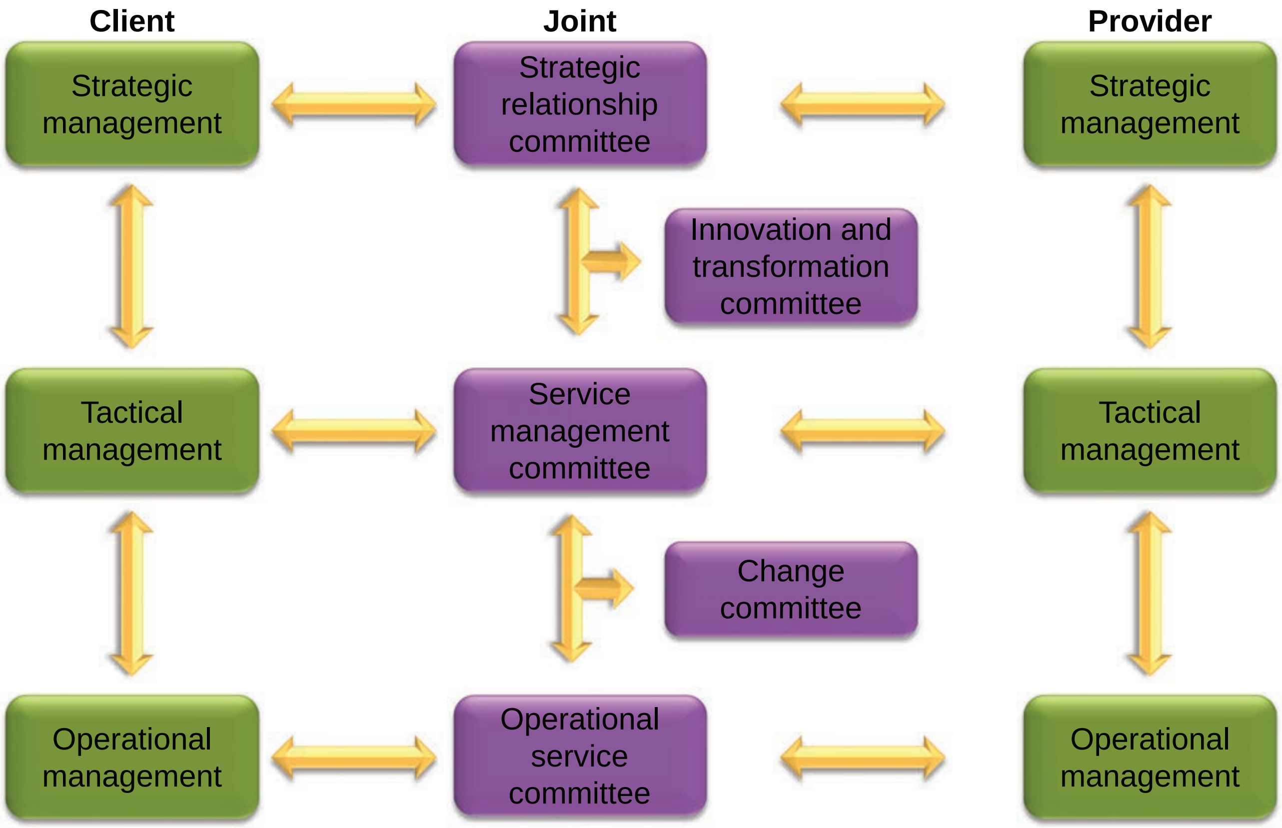

Figure A.1 — Governance committees and meeting structure

Meeting disciplines are important to maintain timely, productive and constructive discussion.

Each meeting should be conducted as a demonstrable and willing commitment to each other with clearly defined responsibilities and decision-making rights to ensure appropriate empowerment of individuals and their counterparts. The periodic meetings should reflect business priorities and goals and all outstanding actions and decisions should be clearly identified and logged.

Annex B
(informative)

Checklist of potential outsourcing risks per phase

B.1 General

Part of assessing the organizational impact of outsourcing (see 6.4) is to identify, assign and track possible risks and develop countermeasures to mitigate their negative impact (see Table B.1). Each risk needs to be rated and compared to the risk appetite.

NOTE For more information on risk management processes, see ISO 31000.

Table B.1 — Checklist of potential outsourcing risks per phase

1. Outsourcing strategy analysis	**2. Initiation and selection**
Insufficient internal capabilities to carry out strategy phase. A preceding poor decision-making process that set out the directions for outsourcing: — commencing with outsourcing before properly considering other alternatives — missing or poor quality business, functional and/or sourcing strategy/goals. Insufficiently or vaguely defined scope of outsourcing opportunity. Missing or poor quality inputs needed for the strategy analysis: — strategic opportunities and benefits — view on business challenges — view on future services/markets — current volumes, quality, costs, risks and constraints of service elements — information on underlying resources — desired volumes, quality, costs, risks and constraints of service elements. Losing core competencies which are of strategic importance to the organization. Risk, following handover, of loss of technical/practical knowledge necessary to manage supplier. Distortion of business continuity by outsourcing activities. Leakage of intellectual property. Lack of awareness, ownership and/or commitment at board level. Too positive an estimation of business case elements. Underestimating the consequences of a cultural misfit. Wrong sourcing model selection. Exponentially increasing complexity and limiting list of potential providers through ambitious sizing of the service to be outsourced rather than sequentially outsourcing services.	Insufficient internal capabilities to direct selection project. Ensure that a provider complies with business risk principles: — provider/client should have verifiable solid financial position so that the organization is not facing financial risks — the location chosen should not compromise our position with regulators — we will not locate a shared service centre or outsourcing in a high-risk area. Risk that a provider/client eventually becomes a competitor. Inadequately defined requirements, specifications and SLAs. Inadequate selection of potential provider. Inadequately received or processed feedback from provider. Reputational risk of doing business with provider. Inadequate selection of provider. Inadequate reflection of requirements in contractual agreements. Lack of mutual agreement on all aspects of the outsourcing relationship;. Poor negotiation skills. Limited pool of capable suppliers. Inappropriate or ineffective legal/commercial aspects of the contract which fail to motivate the supplier or to protect the parties. Inappropriate allocation of risk between the parties Risk of failing to establish and maintain cultural alignment, relationships and understanding.
3. Transfer	**4. Deliver value**
Insufficient involvement from client's side/purely provider-driven transition project. Inadequate transition project team. Inadequate governance during transition. Inadequate service performance. Lack of transition capacity. Not timely starting with building the retained organization for managing the provider. Inadequately addressed change barriers. Not conducting full real-life testing of service delivery capability before go-life. Business continuity risks during transition, lacking assets, knowledge, communication channels, human resources to support services or inability to direct service activities to appropriate party. Privacy and compliance related risks.	Inadequate service performance. Inability to meet end-user expectation. Business continuity risks. Compliance risks. Inability to meet mutual expectations. Inability to direct client/provider by missing performance monitoring or clarity on metrics. Inertia of counterparty leading to unsustainable services, e.g. lack of innovation. Not mutually sharing the benefits. Inability to invoice (provider). Inability of paying invoice (client). Privacy and compliance related risks. Risks on termination of the contract including handover of the intellectual property and procedures. Over time misalignment with business, functional or sourcing strategy.

Table B.2 can be useful to administer the risks, risk tracker or risk log.

Table B.2 — Checklist of potential outsourcing risks per phase

Ref.	Phase	Risk	Probability of occurrence	Impact	Person responsible	Risk status	Counter-measure	Counter-measure status
Unique reference	Specify (e.g. initiation and selection, service transfer, deliver value)	Description	Specify (e.g. low, medium, high, in accordance with client's risk appetite)	Specify (e.g. low, medium, high in accordance with client's risk appetite)	Name	Specify (e.g. open, in progress, closed)	Description	Specify (e.g. open, in progress, closed)

NOTE The probability of occurrence and possible severity is assessed as if the outsourcing project will be executed, e.g. not lowering the risk by assuming that there is a 40 % likelihood that the outsourcing project will not start.

B.2 Course of action after conducting the risk assessment

B.2.1 Phase 1 risks

This initial risk assessment should be carried out during phase 1. It is therefore important that for risks that impact the current phase, countermeasures are installed as soon as possible. This is in order to safeguard the quality of the outcomes of the current phase.

B.2.2 Phase 2, 3 and 4 risks

For the subsequent phases, the risk assessment needs to be refined and decisions need to be taken concerning appropriate mitigations.

NOTE The risk tracker is updated every time new risk-related information is available. For more information on risk management, see ISO 31000.

Annex C
(informative)

Phase 1 Checklist for the outsourcing business case

The checklist in Table C.1 serves as a reminder as to which costs/benefits might be considered in the outsourcing business case. This serves the purpose of analysing the contribution per scenario to the business, functional and sourcing strategy and goals. This is not an exhaustive checklist and there may be additional costs and benefits.

Table C.1 — Checklist for costs/benefits examples

Current services	Current service levels
	Level of internal client satisfaction, for outsourcer's internal client, e.g. department X
	Level of external client satisfaction, organization's external client
	Current operating expenditure
	Direct: employees, FTEs
	Direct: assets, equipment, machinery, depreciation
	Indirect: future investments
	Indirect: internal allocated costs
Transition	Transferral service levels
	Level of internal client satisfaction, for outsourcer's internal client, e.g. department X
	Level of external client satisfaction, organization's external client
	Transfer costs
	Internal/external project staff
	Tooling costs
	Connectivity costs
	Severance costs
	Other reorganization costs
	Other qualitative aspects
	Risk of transfer
	Risk of service failure during transfer
Future outsourced services or transformed services	Future investments on innovation and transformation, when applicable
	Future service levels
	Level of internal client satisfaction, for outsourcer's internal client, e.g. department X
	Level of external client satisfaction, organization's external client
Future operating expenditures	Fixed and variable costs of external service delivery, invoice from provider
	Service run-down costs
	Staff retained/demand organization and provider governance
	Effects of joint business development

Table C.1 *(continued)*

Other qualitative aspects	Impact on personnel, improved/decreased employee morale, transfer of employees to provider, lay-off costs
	Legal impact, e.g. transfer of assets and intellectual property
	Level of control
	Risk of service failure
	Fall-back capabilities in case of temporary service failure
	Requirements for exit capabilities in case of long-term service failure
	Match in maturity of the organization for outsourcing
	Dependence between provider/host organization
	Technological innovation/risk
	Positioning the organization for acquisitions
	Gain of new competencies through partnership
	Other risks

Annex D
(informative)

Phase 2 Typical topics included in the checklist for request for information

Table D.1 shows a checklist of potentially relevant topics that could be part of a request for information.

When issuing a request for information, the following should be considered:

— the questionnaire is unambiguous enough to prevent too many questions;

— the requested information is addressing the right level of detail: too little detail for the client is not effective, but too much detail at this stage may scare off potentially good candidates;

— readiness to answer questions (capacity, tools);

— sharing information about questions and answers to all possible candidates (feedback loop);

— some questions are related to confidential information: this should be kept in mind when asking and answering such questions and when evaluating the answers; this may be addressed by an NDA signed accordingly.

Table D.1 — Request for information topics

Company specifics	Size
	Location
	Foundation date
	Contact data for request for proposal
Service specifics	Business volume for requested services
	Expertise and experience in the requested services
	Number of clients for a specific service
	Number of employees
Benchmarking	Comparable reference clients and industry experience
	Reputation of the provider
Satisfaction and loyalty	Degree of client satisfaction and a client-centric approach related to the specific service
	Client turnover rate
	Disputes
	Number of early bailouts in respect to the portfolio
Capability quality	Available relevant certificates and qualifications
	Capability of infrastructure
	Capability of machinery
	Capability on knowledge management
	Capability on quality and performance management
	Compliance capability
	Human resource capability
	Availability of qualified staff for requested services
	Agreement to a detailed client audit
Capability on risk and compliance	Availability of fulfilling industry's best practices
	Available relevant certificates and qualifications
	Availability of permits required/issued by authorities
	Availability of code of conduct
	Do the services meet your country-specific legal requirements (sufficient experience)?
Solvency and continuity	Evidence for company stability
	Liquidity, effectiveness and profitability of the service cluster for the requested service

Annex E
(informative)

Phase 2 Checklist for the request for proposal

A request for proposal should establish comparability of the proposals of the providers quickly and in an objective and structured way. The analysis of the incoming proposal's unique selection criteria and weighting should be defined and represent the business criticality, the financial impact and the overall process importance of the services. High level information about the selection criteria and weighting may be outlined in the request for proposal.

The request for proposal should at least include the information in Table E.1.

Table E.1 — Request for proposal

Information for the provider	Scope and goal of the request
	Procedure and timeline of the request for proposal and its contact persons
	Planned contract duration
	Information concerning transfer of human resources, contracts and assets
	Specific purchasing regulations
Required information	Refined information on the responses from the request for information
	Provision of staff and assets
	Qualification profile of the employees
	Framework for governance and compliance
	Business strategy
	Relevant sub-contractors
NDA, if not already agreed upon during the request for information.	
Requested services based on the service catalogue.	
Draft of the master agreement/general terms and conditions.	
Template for the proposal, including instructions on how to complete the form.	
Template for the price sheet, including instructions on how to complete the form.	

Annex F
(informative)

Phase 2 Examples of agreement topics

The topics listed in Table F.1 should be addressed in an outsourcing agreement. This list is not comprehensive, but is provided as a guideline for consideration for what to include in an agreement.

Table F.1 — Examples of agreement topics

1) Services	19) Timescales
2) Service levels	20) Step in rights and warranties
3) Transition and transformation	21) Intellectual property
4) Continuity service provision	22) Confidentiality and publicity
5) Transition agreements	23) Indemnity
6) Transfer of employees and benefits	24) Insurance and limitation of liability
7) Sub-contracting	25) Exit and consequences of exit
8) Provider projects	26) Force majeure
9) Training by provider	27) Audit
10) Quality	28) Benchmarking
11) Technology development	29) Contract change procedure
12) Technology maintenance and upgrade	30) Data protection and data privacy
13) Charges	31) Dispute resolution
14) Payment provisions	32) Notices and waiver
15) Tax	33) Mediation
16) Acceptance procedure	34) Applicable court of law
17) Client responsibilities	35) Miscellaneous legal items
18) Exit clauses	36) Testing
	37) Anti-bribery

Annex G
(informative)

Phase 3 Checklist of transition plan

Table G.1 provides a list of relevant topics that could be part of a service transfer.

Table G.1 — Relevant topics for a service transfer

Establish project team	Identify client transition manager
	Identify provider transition manager
	Identify core transition team
	Identify subject matter experts from the client
	Develop responsibility matrix for project team
	Assign roles and responsibilities to project team
	Identify change management experts as part of transition team
	Establish access and IT infrastructure at client premises for transition team
Establish outsourcing governance	Identify key stakeholders for transition governance
	Develop responsibility matrix
	Assign roles and responsibilities to transition governance team
	Establish communication and escalation plan
	Establish transition governance reviews
	Identify key transition governance risks
	Develop mitigation plans for transition governance risks
	Review and obtain sign off from transition governance team
Refine operational frameworks and transition plan	Conduct gap analysis for all operational frameworks
	Refine frameworks as needed
	Review transition plan for changes needed
	Obtain sign off for revised transition plan
	Develop metrics and measurement plan
	Develop detailed transition plans and identify key milestones
Role fitment	Identify retained team
	Establish re-badging plan, if applicable
	Identify service delivery manager and core delivery team
	Identify provider coordinator in client location, on-site business manager
	Hiring plan for upcoming roles
Execute transfer of knowledge/people, processes and technology	Conduct union communications if applicable
	Execute re-badging plan, if applicable

Table G.1 *(continued)*

Sourcing and onboarding (recruitment)	Confirm roles and resource counts to be hired
	Create job descriptions
	Access sourcing channels to identify candidates
	Profile and shortlist candidates for interview
	Schedule candidates for interview and assessments
	Finalize candidates for making offers
	Send out offer letters
	Onboarding candidates
	Sourcing and onboarding complete
Procurement	Raise request
	Procure machinery in accordance with specs
Machinery set-up	Design and specifications
	Receive detailed infrastructure quote
	Purchase approval
	Equipment shipment and receiving
	Infrastructure set-up
Knowledge transition plan	Create knowledge transition plan
	Submit knowledge transition plan
	Review knowledge transition plan and provide feedback
	Make necessary changes to knowledge transition plan
	Submit and sign off knowledge transition plan
Deploy knowledge transfer	Technology training, process training
	Mid assessment - assess knowledge levels
	Technology training, process training
	Final assessment
	Knowledge transfer completion
Operational frameworks	Provision environment and infrastructure
	Assign resources in accordance with capacity and introduce tasks and responsibilities
	Implement staffing plan, schedule, shift plan if applicable
	Train and certify resources
	Implement policy, procedures and controls including templates
Business continuity planning	Build business continuity plan in accordance with agreed requirements
	Submit business continuity plan
	Review business continuity plan
	Make amendments to business continuity plan
	Resubmit business continuity plan
	Sign off business continuity plan
Knowledge acquisition **Client tasks**	Share all necessary and relevant information required for the effective execution of the process/business function with the provider
	Review on-site knowledge acquisition plan
	Confirm small and medium sized businesses for knowledge acquisition and ensure availability
	Ensure availability of infrastructure, conference rooms for on-site knowledge acquisition
	Provide a “do’s and don’ts” document for transition team

Table G.1 *(continued)*

Provider tasks **Transition logistics**	Finalize team travel plan (for transition)
	Identify visa requirements, if necessary
	Visa application and processing
	Make flight bookings
	Make hotel bookings
On-site knowledge acquisition plan	Create on-site knowledge acquisition plan
	Submit on-site knowledge acquisition plan
	Make necessary changes to on-site knowledge acquisition plan
	Submit and sign off on-site knowledge acquisition plan
	Pre knowledge acquisition training to transition team
On site knowledge acquisition including documentation	Technology training, process training etc.
SOP	Create relevant SOP documentation
	Submit SOPs
	Review SOPs and provide feedback
	Make necessary changes to SOPs
	Submit and sign off SOPs
Deploy operational frameworks	Provision environment and infrastructure
	Assign resources in accordance with capacity and introduce tasks and responsibilities
	Implement staffing plan, schedule, shift plan if applicable
	Train and certify resources
	Implement policy, procedures and controls including templates
Test service delivery capability	Plan test activities
	Assign resources for testing
	Communicate test schedule to all stakeholders
Execution	Test infrastructure
	Test work environment
	Test of user access rights, access levels
	Test of the communication and escalations procedures
	Invoke business continuity plans
	Test the people skills
Review test results	Collate test results
	Document test results
	Evaluate test results
	Report to steering committee and obtain sign off
	Archive test artefacts
Pilot	Perform integrated testing across machinery and people
	Conduct pilot in accordance with ramp plan
	Monitor performance
	Obtain voice of client
	Present recommendations to steering committee
	Obtain sign-offs
	Formal handover

Table G.2 provides a summary of documents for the handover from the “transition” to the “deliver value” phase.

Table G.2 — Summary of documents for the handover from the "transition" to the "deliver value" phase

Should have	Nice to have
1. All client agreements	1. Systems inventory
2. Transition plan (actual)	2. Configuration details
3. Implemented communication and escalation process	3. Technical operation and details of programmes
4. Proposed delivery team structure set-up	4. Glossary of terms used
5. Pilot results with formal handover sign-off to delivery	5. Maintenance manual
6. Client performance baseline of performance and business case	6. Technical manuals, training manuals and aids, training plan, training environment, trainer certification
7. Provisioned infrastructure plan and layout	7. Assessment methodology
8. Planned contingency infrastructure along with identified team/resources	8. Resource analysis
9. Agreed client deliverables, timelines	9. Risk acceptance and mitigation plan
10. Open items to be completed in deliver value	
11. Staffing plan and schedules	
12. SOP	
13. Associate initiation documentation/manual to the work	
14. System description and process maps	
15. IT system description	
16. Business process workflow diagram or system where applicable	
17. Quality management system (continual improvement plan, sampling plan, calibration process, feedback mechanism, corrective action, preventive action)	
18. Production control plan	
19. Governance framework	
20. Asset and knowledge management system	

Annex H
(informative)

Phase 4 Example of innovation funnel process

The nature of any given outsourcing arrangement should be determined by the client sourcing strategy. If the cornerstone of the sourcing strategy (or a specific outsourcing agreement) is value through innovation, or a long term partnership is required, business impact and switch costs are high, then both the client and provider need to be clear about what those value expectations are, and what their respective roles are in making it happen. Business strategy should change over time and the innovation process needs to be refreshed to maintain relevance and consistently deliver benefit. Therefore, the joint governance process should give directives to the innovation funnel aligning all to the revised ambitions. Innovation in this setting is seen as crucial for long-term success and should be able to adapt to changing market requirements.

The nature of the client–provider relationship should reflect the desire for collaborative working and the expected outcome from such a way of working. A style of working that encourages working as a partnership is essential if traditional norms are to be challenged by the exploration and exploitation of innovative ideas. Both client and provider should jointly agree on a set of guiding principles which clearly describe the working principles, rationale and the behavioural mind set behind collaborative working. The governance of the innovation funnel is therefore of great importance to both the client and provider. Decisions on the innovation investment and the pursuit of specific and viable innovation opportunities should typically be joint decisions as both client and provider should benefit. Ownership of intellectual property should also be an element of the outsourcing agreement.

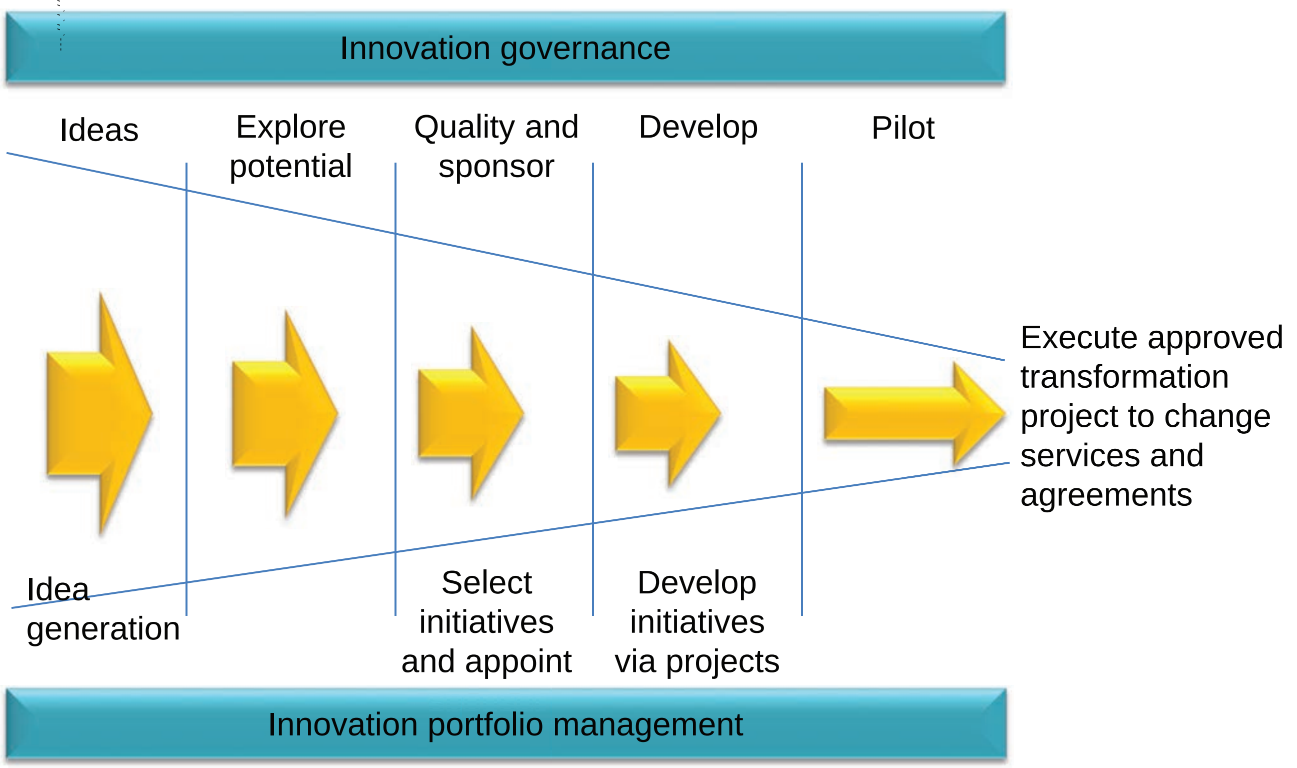

Figure H.1 — Informative example of an innovation funnel

The innovation committee should provide the strategic direction, supervision and control of all innovation related activities, including the creation and management of a value creation centre. The value creation centre should be considered as the innovation managing entity at an execution level, taking responsibility for the end-to-end process of transforming ideas into real value. The value creation centre should be the incubator for capturing innovative ideas and transform them to viable pilots. Innovation initiatives, normally greater than 80%, will fail and should be seen as learning experience.

Annex I
(informative)

Outsourcing life cycle exit

This International Standard presents a visual life cycle of an outsourcing arrangement. The fundamental principle is to enable a mutually beneficial collaborative relationship, which is represented within the life cycle. However, in practice, situations may arise that cause the relationship to end. This annex explains how this works within the life cycle itself.

Although the business case may still be viable, termination of the relationship may occur due to strategic changes of either the provider or the client. The life cycle process outlined in Tables I.1 to I.3 should be considered.

Table I.1 — Option 1 and 2: Discontinuation based on strategic business changes

Process	What	Deliverable
End of agreement preparation (phase 4)	Provide advice on the continuation or exit based on the value delivered during the outsourcing arrangement. The advice is accompanied by continuation criteria. An update of the exit plan is made.	Advise continuation or exit
Define outsourcing strategy (phase 1)	The advice on continuation or exit is evaluated and assessed against the new outsourcing strategy. The strategy may dictate that, although the evaluation report may be positive, the relationship should be stopped due to changed business needs. The agreement should expire naturally. In some cases a decision is made that delivery should be placed back with the client.	Advise to discontinue the relationship
Monitor, evaluate and direct	Monitor the expiration date of the agreement and ensure an early warning is on the agenda of the strategic relationship committee. Evaluate whether provider or client has the intent to stop the relationship, based on the outsourcing strategy. If so, direct to create an exit project (start steering committee, start project team and create budget and transition and ramp down plan).	Directives to create budget and transition plan and/or ramp down plan

Table I.2 — Option 3: Fundamental dispute

Process	What	Deliverable
Manage and resolve disputes (phase 4)	If an issue escalates it should be fed back into the appropriate outsourcing governance committee. If the committees on a lower level cannot solve the issue it becomes a dispute to be handled by the strategic relationship committee	Advice: continuation or exit
Monitor, evaluate and direct	If the strategic relationship committee is unable to solve the problem the client and provider should report back to their own company leadership teams. After consultation several options are open to resolve the dispute: mediation, arbitrage or legal action. If mediation fails, arbitrage or legal action should force a decision. If an exit of contract is the only solution the strategic relationship committee should deploy, resource and direct a project team to update the exit plan, transition and ramp down plan.	Exit plan Transition plan Ramp down plan
Define outsourcing strategy (phase 1)	The client should now have to make a decision on whether or not to transition the services to their own organization or to another provider. A new outsourcing life cycle process may start as a result, where the old provider should transition services to the new provider.	Outsourcing strategy

Table I.3 — Option 4: Premature no-go decision during the outsourcing project

Process	What	Deliverable
Negotiate and establish agreements (phase 2) Pilot and handover (phase 3)	Any process within phase 2 and 3 may start a fundamental discussion as to whether the outsourcing objectives should be met. However the processes negotiate (phase 2) and pilot (phase 3) are the processes at which the business case is updated. When updating the business case it becomes clear whether or not the objectives are met. If not an advice should be given.	Advice: go/no-go
Governance	Within the governance process monitor, evaluate and direct the strategic relationship committee should assess the outcomes of the business case update, the performance and quality reports and risk reports. If the committee feels that the joint objectives are at risk they report back to their specific organizations. The client and or provider organizations may stop the outsourcing project. This decision is not considered within the scope of this guideline.	Advice: go/no-go

The key processes of the exit are:

a) appoint a joint team with requisite skills and experience to manage the exit phase;

b) review and update the exit plan;

c) create and manage an exit phase project plan;

d) jointly review and record the lessons learned.

The main outputs of the exit process are:

— fair division of intellectual property rights

— fair allocation of assets and investments

— business continuity for stakeholders

— contract satisfaction and completion

— record of lessons learned.

Bibliography

[1] ISO/IEC 2382-31:1997, *Information technology — Vocabulary — Part 31: Artificial intelligence — Machine learning*

[2] ISO 9001, *Quality management system — Requirements*

[3] ISO 15378:2011, *Primary packaging materials for medicinal products — Particular requirements for the application of ISO 9001:2008, with reference to Good Manufacturing Practice (GMP)*

[4] ISO 19011, *Guidelines for auditing management systems*

[5] ISO/IEC 20000, *Information technology — Service management*

[6] ISO 21500, *Guidance on project management*

[7] ISO 22301, *Societal security — Business continuity management systems --- Requirements*

[8] ISO 24803:2007, *Recreational diving services — Requirements for recreational scuba diving service providers*

[9] ISO/TR 25104:2008, *Intelligent transport systems — System architecture, taxonomy, terminology and data modelling — Training requirements for ITS architecture*

[10] ISO 26000, *Guidance on social responsibility*

[11] ISO/IEC 27001, *Information technology — Security techniques — Information security management systems — Requirements*

[12] ISO 31000, *Risk management — Principles and guidelines*

[13] BS 11000 (all parts), *Collaborative business relationships*

[14] CEN/TS 16555-1:2013, *Innovation management: Innovation management system*

[15] DIN SPEC 1041, *Outsourcing technologieorientierter wissensintensiver Dienstleistungen*

[16] UK NOA Sourcing LifeCycle

[17] The Open Group. 2009, TOGAF Version 9, The Open Group, ISBN 978-90-8753-230-7, available from: http://pubs.opengroup.org/architecture/togaf9-doc/arch/

[18] *ISO 9000 Introduction and Support Package: Guidance on Outsourced Processes*, ISO/TC 176/SC 2/N 630R3, available from: http://www.iso.org/iso/05_guidance_on_outsourced_processes.pdf

ICS 03.080.01

Price based on 72 pages