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When Recognition Matters

WHITEPAPER

ISO 37500:2014

HOW A PECB CERTIFIED OUTSOURCING MANAGER
CERTIFICATION CAN BENEFIT YOUR ORGANIZATION

CONTENT

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INTRODUCTION

Outsourcing has become a rather popular process in the success of today's organizations, despite their size and type. In simple terms, outsourcing refers to the purchase of an organization's products or services from an external source. A question one may ask is why do companies go to the trouble of finding external sources to purchase their products or services? Obviously to cut their total costs, accessing skilled expertise, reducing overhead, flexible staffing, increasing efficiency, reducing turnaround time and ultimately generating more profit in the long run.

The idea of ISO 37500:2014 was triggered due to a high demand of an International Standard for outsourcing that is applicable to all types of organizations, rather than just Information Technology related organizations.

ISO 37500:2014 provides a comprehensive guide for organizations to follow relating the phases of outsourcing, the required processes for implementation and the governance that is required to be successful, despite the type of business, size of transaction or activities to be outsourced.

"Outsourcing is a business model for the delivery of a product or service to an organization by a third party provider, an as alternative provision of those products or serviced within the client organization."
ISO.org

ISO 37500:2014 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; and
- staff at all levels of experience in outsourcing

What's more?

The ISO 37500 guidance document provides an outsourcing model to support stakeholders to understand the following:

- the outsourcing life cycle and 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, and
- how they can ensure collaborative business relationships.

As verified in Figure 1, it is known that organizations continually have to adapt to changes in their environment because of factors such as: ever-changing markets, political, social, economic and technological aspects.
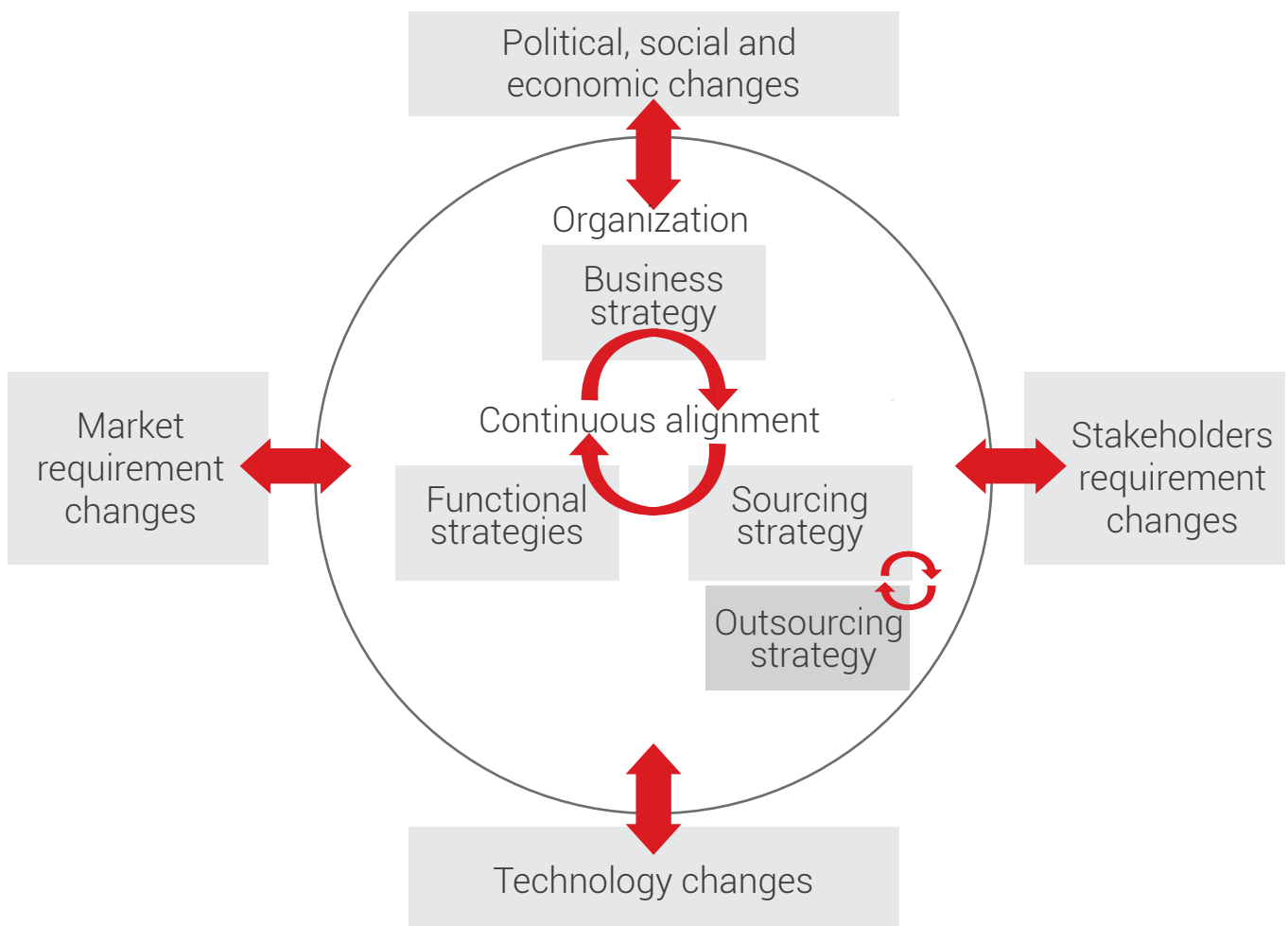
Figure 1: Contextual model of outsourcing

Why does outsourcing matter?

Outsourcing delivers organizations many business opportunities, such as the following:

- It helps in managing costs,
- It contributes in strategy changes by redefining the organization's strategy for internal and external processes,
- It escalates the accessibility of capabilities that are not available inside the organization, and
- It transfers risks by increasing the share of variable costs.

Which countries are the most preferred outsourcing destinations?

According to a survey conducted by Trak.in – an Indian Technology and Business opinion site, India remains the top outsourcing country for American companies.

The graph below presents the statistics relating the top outsourcing countries worldwide for American companies.

Top Outsourcing Countries for U.S Companies
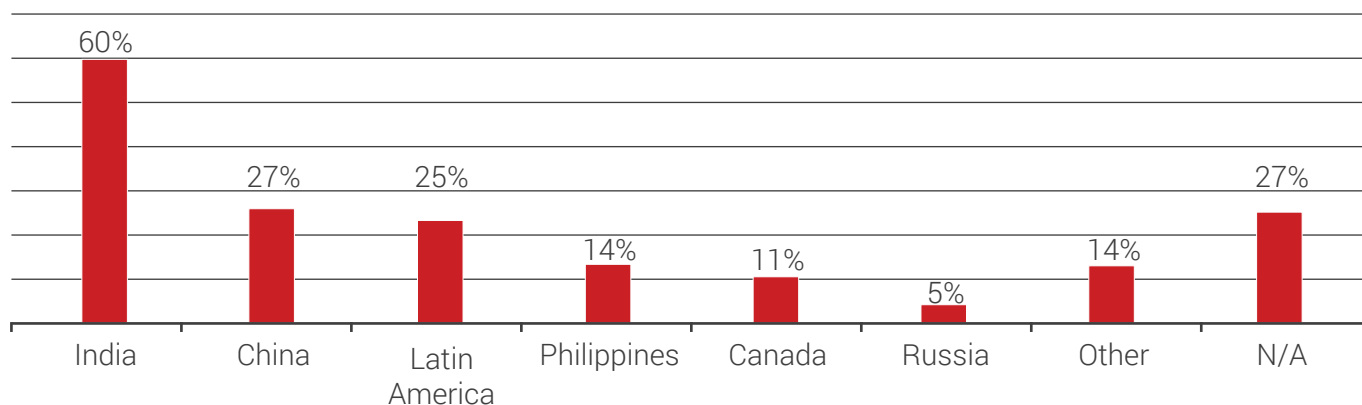
In addition, the top five factors listed by executives in choosing outsourcing for their business operations are:

1. Labor costs (79 %)
2. Technology & infrastructure capabilities (62 %)
3. Skilled labor (61 %)
4. Language proficiency (49 %)
5. Economic stability (44 %)

What is the future of outsourcing?

Considering the fact that outsourcing is truly beneficial in today's organizations, as it plays a significant role in the overall performance of a company, its future is pretty clear.

According to the 2014 Global Outsourcing and Insourcing Survey, conducted by Deloitte: "Outsourcing growth is expected to continue at rates of 12 % - 26 % across functions."

- In Real Estate and Facilities Management, Asset and Lease Management services is expected to see the most growth in outsourcing.
- Billing is expected to see the greatest growth in outsourcing among the Finance and Accounting processes.
- Human Resource (HR) Administration and HR Reporting are expected to see the greatest growth in outsourcing among the HR processes.

An overview of the Key Clauses of ISO 37500:2014

CLAUSE 4: Introduces the outsourcing life cycle, its overall architecture and its outputs.

The four phase outsourcing life cycle, which ISO 37500 is built off, includes the following effective governance practices:

1. **Outsourcing strategy analysis –** To initiate and evaluate outsourcing opportunities and establish an outsourcing strategy that meets business requirements.

2. **Initiation and selection** – to specify the requirements for proposed services to outsource, to select adequate providers, and to establish the outsourcing agreements.

3. **Transition** – to enable the provider to establish delivery capabilities in their environment.

4. **Deliver value** – to ensure that both the client and provider understand and sustain the value of the outsourcing arrangement.
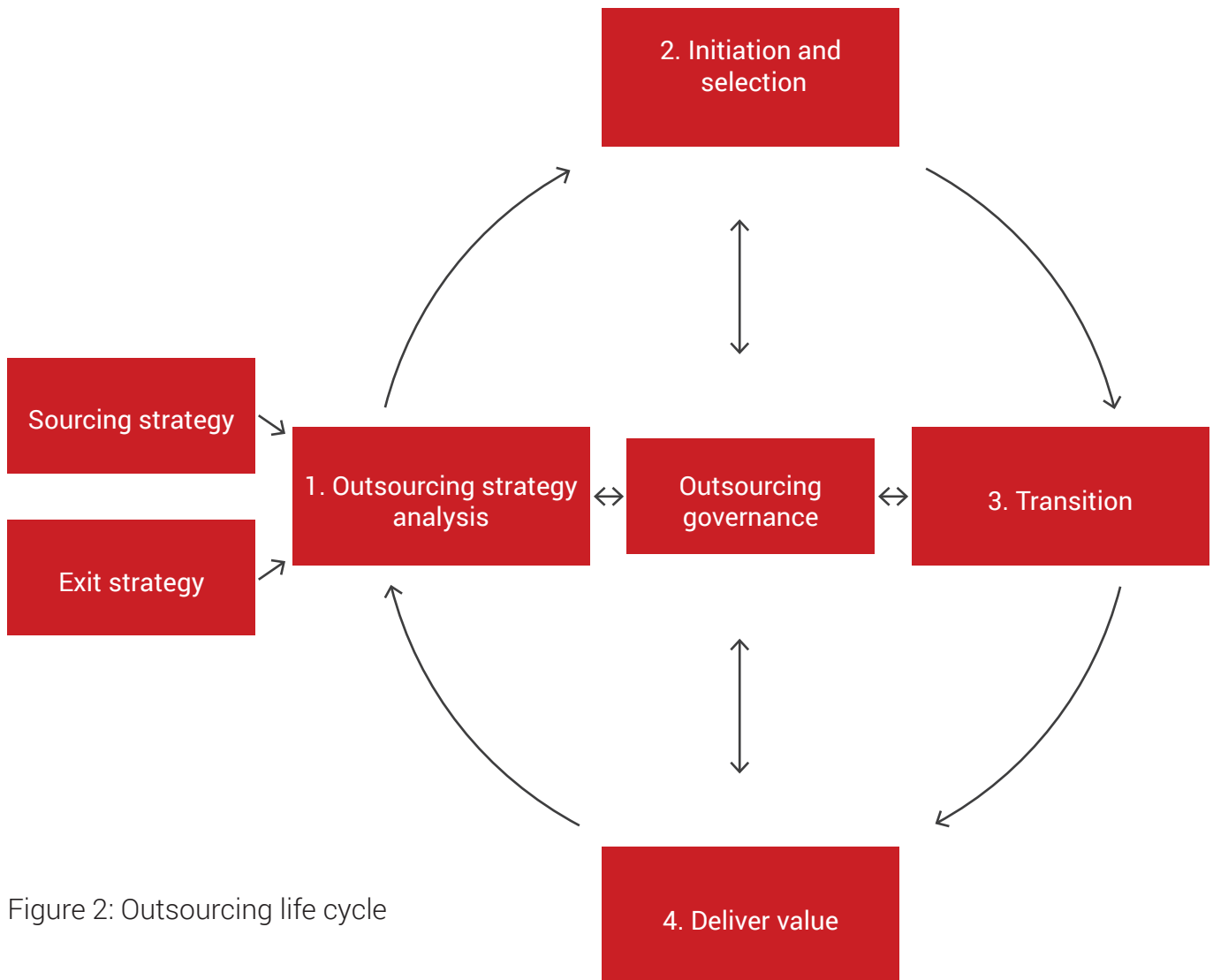

Figure 2: Outsourcing life cycle

CLAUSE 5: Presents the outsourcing governance framework, which sets out the client-provider processes, customs, policies and joint management bodies that enable the outsourcing life cycle and relationships.

Governance is critical both in the success of any outsourcing arrangement and in the client-provider relationship since it enables the joint leadership to make effective decisions and create the desired value by also supporting changing business requirements.

The outsourcing governance framework is formed from the following key aspects:

*   Management structure and functions
*   Joint governance bodies
*   Appreciating cultures and behaviors
*   Outsourcing governance processes

CLAUSE 6 – CLAUSE 9: Describe in further details the processes involved in each phase of the Outsourcing Life Cycle.

Phase 1: Outsourcing strategy analysis

- Checking outsourcing prerequisites,
- Understanding which are the suitable services for outsourcing,
- Assessing the organizational impact of outsourcing of services,
- Defining the outsourcing strategy,
- Developing initial business case(s) for outsourcing,
- Evaluating and deciding whether or not to proceed with the proposed strategy and implications, and
- Setting up the outsourcing project.

Phase 2: Initiation and selection

- Developing a detailed description of all services identified in Phase 1,
- Detailing the outsourcing model from Phase 1 into a specific designed outsourcing model for the scope and assignment at hand,
- Defining the agreement requirements and structure,
- Identifying potential providers,
- Selecting preferred providers,
- Outlining the agreements made for the outsourcing relationship with the preferred providers, and
- Negotiating and establishing these agreements.

Phase 3: Transition

- Establishing the transition project team,
- Establishing the outsourcing governance,
- Refining the delivery frameworks and transition plan,
- Refining the knowledge acquisition to enable the provider to obtain the required knowledge for their service provision from the client or existing provider,
- Executing the transition of knowledge, people, processes and technology to assure that the services are installed on time, per quality and within the budget,
- Implementing the quality, risk, audit and compliance frameworks,
- Deploying the asset and knowledge management and delivery frameworks,
- Testing the service delivery capability, and
- Perform the pilot and handover process.

Phase 4: Deliver value

- Delivering the services,
- Monitoring and reviewing service performance,
- Managing and resolving on-going issues,
- Delivering the on-going changes and innovation,
- Delivering the transformation process,
- Managing the finances of the agreement,
- Managing the relationships with all stakeholders,
- Managing the agreement throughout the phase,
- Assessing the value and business case, and finally
- Ending the agreement preparation to ensure that the client can make a decision relating the continuance of the outsourced services.

Why is PECB a Worthy Choice?

Despite the many benefits of outsourcing, becoming a PECB Certified Outsourcing Manager will be advantageous for your organization through learning and implementing the best practices for successful outsourcing.

A successful PECB Certified Outsourcing Manager will:

- Understand the components and the operation of an Outsourcing Framework based on the principles of key standards,

- Understand the complete procurement lifecycle involved in outsource management,

- Master the concepts, approaches, standards, methods and techniques to effectively manage an outsourcing project, transition and supplier(s) throughout the procurement lifecycle,

Through PECB's training program, participants will gain a thorough understanding of how to enter into, and continue to sustain, successful outsourcing arrangements throughout the contractual period.

- Interpret the recommendations of ISO 37500 in the specific context of an organization,

- Develop the expertise to support an organization to plan, implement, manage, monitor and maintain an effective framework for outsource management,

- Acquire the expertise to advise an organization on outsourcing and supplier management best practice, and

- Strengthen the personal qualities necessary to act with due professional care when conducting an outsourcing project or managing outsourced suppliers.

Steps for obtaining the PECB Certified Outsourcing Manager certification

To ensure that organizations achieve planned and desired outsourcing results, the following steps will serve as guidance on how to become a PECB Certified Outsourcing Manager:

1. Participate in the training course	2. Register for the certification exam	3. Sit for the certification exam

4. Apply for the certification scheme upon successful exam completion	5. Recieve your certification

For further details relating the types of trainings and certifications that PECB offers, please visit our website: www.pecb.com

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