

Creating a Selection Framework to Align Sourcing Options with Business Goals – Part II

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To link sourcing decisions more closely to business goals, IT needs a selection framework that takes corporate objectives into account.

- To make smart sourcing decisions, a company needs to follow a framework that reflects corporate objectives, constraints and viable sourcing options.
- A framework has two important components: a screen to profile sourcing candidates and rules to match candidates to the best delivery option.
- The framework will necessarily evolve as corporate goals change, constraints are overcome, delivery options expand and sourcing experience grows.

Sourcing options have exploded, and so too have the complexity and risks associated with choosing the right candidates. Making optimal choices that advance company objectives is a paramount concern, one that is achievable by using a selection framework. Part I of this article discussed the preparatory steps that an IT organization needs to take before creating a framework. In Part II, we discuss the framework itself.

When weighing a potential sourcing opportunity, how can IT make an informed decision that not only promotes the larger strategies of the business but also works for the candidate at hand? By using a framework. A framework guides the selection process by screening candidates and matching them to the best delivery options. It has two critical components – a screen and rules.

Building a Screen

A screen is essentially a set of characteristics meaningful to the sourcing decision. It produces a profile of the given application, project or function in sufficient detail to make an intelligent sourcing decision.

When building a screen, start by coming up with a comprehensive list of raw characteristics. Then ask whether each characteristic is relevant to the previously identified corporate objectives or constraints, or would result in a more optimal match given the pool of available sourcing options. In a heterogeneous IT environment, for example, the technology platform of each candidate must be explicitly listed so that it can be matched with the appropriate sourcing option. In addition, keep in mind the specific decision-making rules that will take this attribute into account, and ensure that you capture sufficient information. For example, if the characteristic is cost-related, ensure that it is specified in the right “units” to enable later comparisons. Sample screen criteria include business area supported, annual budget, technologies, skills sets, functional classification, risk profile, lifecycle stage, number of FTEs, number of contractors, salary costs, maintenance and support overhead, planned capital investments, backlog, etc.

Defining the Matching and Selection Rules

Rules are used to match each candidate, based upon its profile, to a given sourcing option. Rules are company and situation-specific, and reflect the current state of the portfolio, and the level of sourcing capabilities. A simple rule, for example, might specify that mission-critical applications are ineligible for outsourcing altogether, or simply unsuitable for offshore outsourcing. Rules might also express cost/benefit hurdles that need to be attained to consider outsourcing, direct particular technologies to pre-determined sourcing vendors, or advise aggregating similar candidates to achieve economies of scales. When creating rules, a good place to start is with the available sourcing options themselves. By listing the features and capabilities of each sourcing option or provider, you can create a rules-based template to use in matching candidates to options.

Using and Maintaining the Framework

Once the screen is developed and the rules are in place, it is a simple matter to apply the framework. *What* you will apply it to depends on the scope of your sourcing program. You may choose to use the framework only on future projects, leaving current delivery approaches as is and directing only new candidates to the framework. You may decide to use the framework to realign existing projects, applications or functions, applying it to the entire portfolio to maximize your use of sourcing. Or, you may opt to use the framework as a kind of blueprint showing the ideal mix of sourcing options for some future time, and then gradually adjust your staffing levels, organizational structures, hiring practices, training and education to achieve this mix.

Lastly, the framework is a living thing that must change as a company's objectives and sourcing expertise change, as delivery options expand, and as the portfolio mix shifts. Over time, many of the assumptions, constraints and criteria in the framework will become inapplicable, and screen attributes that looked good on paper may prove less helpful in practice. Expect to make periodic adjustments to the framework to reflect these lessons learned and evolving capabilities.

Action Items

- Use the information cited in “Creating a Selection Framework to Align Sourcing Options with Business Goals – Part I” as input to the creation of your selection framework.
- Start by building a screen that elicits characteristics about each candidate that are relevant to the matching process.
- Next, establish the rules or templates that will be used to match each candidate, based upon its profile, to a given option.
- Apply the framework according to the desired scope of your sourcing program.
- Evolve the framework as sourcing maturity grows, constraints are overcome, objectives change and sourcing options expand or contract.

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