

Business-analysis Skills: Critical for Sourcing Success

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Whether a company is embarking on a full-scale, outsourced call center or IT operation, or contracting globally for simple project-based services, the need for business-analysis skills is vital. Yet, the role of a business analyst in outsourced engagements is often undefined and elusive

A persistent challenge in managing outsourcing relationships is the transition from being active participants in a project to becoming remote managers of a global sourcing initiative. Business-analysis skills can readily be applied to smoothen this transition and minimize project failure rates for global organizations.

As corporate interest in global outsourcing continues to increase, a study by KPMG entitled Strategic Evolution shows that 72 percent of outsourcing organizations do not have a defined list of criteria to measure the success or failure of a sourcing arrangement. In addition, the study found that 60 percent of customers and 59 percent of service providers believe that a majority of sourcing problems are related to people involved in managing the project, as opposed to an estimated 10 percent who think problems in sourcing contracts are technology related.

Given this perception that people are the problem, it is imperative for organizations to re-evaluate the skill set of sourcing managers and incorporate business-analysis competencies into the equation.

Business Analysis Competencies for Sourcing

At all stages of the sourcing life-cycle — from the research and strategy phases through evaluation and selection, and on to procurement and management — various business-analysis proficiencies can impact sourcing results. In simple words, the business analyst acts as a translator or liaison between the customer and the IT group attempting to meet the customer's needs.

Some key business analyst competencies that can be applied to sourcing management are:

- **Eliciting requirements and creating the Business Requirements Document (BRD):** A key function of the business analyst is to gather and document the user requirements needed to solve a particular business problem or achieve a business activity. From these requirements, the business analyst generates an exhaustive study of the regulatory, business, user and functional requirements.
- **Structured analysis:** Business analysts employ the art of modeling to support and enhance text-based requirements by organizing information into coherent ideas. The use of business-analysis models such as business models, process models, data models and workflow models can all be applied to sourcing management.

- **Testing and end-user support:** Business analysts develop test scripts, test plans and test scenarios to determine whether the requirements have been met and desired deliverables achieved. When the deliverable is met, the business analyst's command of the requirements can complement the training team in developing user-support tools, including training manuals and reference materials.

To explain the role of business analyst in simple terms, a custom home construction analogy is useful. First, there is an internal (in this case family) dialogue and assessment of needs. How many bathrooms would be adequate? Should it be a two-level or three-level home? What is the square footage? Then those "requirements" are presented to an architect who will design the house. Next, an attorney will translate those schematics into a contract, ensuring that all requirements are spelled out. Finally, that contract is delivered to a builder, or general contractor, who will supervise the construction of the house. Anyone who's ever embarked on such a project will know it's not simple. The same can be said of a business analyst's role in sourcing management.

Pitfalls of Mistaken Identity

To find success by incorporating the expertise of business analysts in the outsourcing process, organizations must first draw clear lines between the roles of project management and business analysis.

An increasing number of project managers are becoming victims of "mistaken identity" within their organizations. Project managers are assuming roles typically reserved for business analysts, and business analysts are accepting responsibility for items that should fall under the project manager's purview.

These instances of mistaken identity can impact project success. Failure to delineate specific roles for project managers versus business analysts will result in redundancies, inefficiencies, increased risk, costs and scheduling overruns.

As a consequence, this inaccurate allocation of resources is resulting in diminished returns on outsourcing investments. When the wrong people are assigned the wrong tasks on a project, risk increases dramatically. When project risk increases, schedules are not met, costs spin out of control, exponentially diminishing the quality of the deliverable.

Role of Business Analysis in Sourcing Contract Lifecycle

The following framework will aid project managers and business analysts to best identify areas of overlap between the two and, how to work together to determine who owns responsibility for contributing to each aspect of the project lifecycle. Determining ownership and distinguishing tasks accordingly can greatly improve sourcing outcomes. The outline also identifies the kinds of risk associated with assigning a project manager to a business-analyst project, and offers recommendations on resource management. It also provides guidance on how to determine which type of professional should assume specific project tasks, helping to resolve a common element of project failure.

An initial distinction between contract management and business analysis is in the vocabulary of each discipline. In sourcing relationships, the principals are known as buyers, sellers and subcontractors. With business analysis, the principal players are either stakeholders, business analysts and developers or systems-administration staff.

In sourcing, contracts govern the relationship. Among business analysts, the BRD dictates terms (in fact, the BRD often later evolves into a contract). Both the contract and BRD provide project management with a framework for which they can produce deliverables. Contracts become the “rules of engagement,” whereas a BRD depicts what game will be played and project management defines how it will be played.

Contracts are sources of business intended to provide goods and services for buyers, and must act as risk-management tools to both buyer and seller. A BRD, on the other hand, defines the requirements necessary to provide both goods and services. By definition, a BRD may also be considered as a contract that manages risk and quality of deliverables to both the stakeholder (buyer) and the end user (seller).

Both contract management and business analysis along with their related functions and activities provide context from which project-management techniques such as scope, risk, time, cost, quality and communication can be applied. Taking a 30,000 feet view of the juxtaposition of the two disciplines, one can consider the entire process of global sourcing as a giant project in itself. Global sourcing is not simply project management, business analysis or contract management, independently. In reality, each plays an integral role as a comprehensive package and is dependant on the other. When experts consider the strategic intention of global sourcing — to remain agile and competitive in the marketplace by outsourcing commodities — the critical roles of business analysis and contract management become apparent. By clearly understanding this enterprise analysis approach to conducting business, the contract-management and business-analysis roles of global sourcing become evident.

Contract managers support project managers, much the same way as business analysts support project managers. Both propose to serve the project manager with the guidelines by which the project manager can deliver the goods and services prescribed by each others’ documentation. Not unlike a business analyst, a contract manager works with a variety of subject-matter experts, including purchasing, technical, finance, legal and project management, in order to develop the requirements necessary to BRD.

In the pre-award phase, contract managers work with project managers to determine the project scope and develop its statement, while the business analysts work with the project managers to determine scope, strategic plans, goals and objectives, and then develops a business case.

At this stage, the contract manager conducts an enterprise and organizational assessment, risk assessment and a “make or buy” analysis, and he is careful to make certain that this is in alignment with what a business analysis has uncovered during the enterprise-analysis phase of the said project. The business analyst performs a gap analysis, risk assessment and produces a decision package analysis or business-case report.

To illustrate these roles, take for example a customer call center or help desk. In this scenario, the project manager’s role is to consider all legalities that may impact both the user and the customer. The business analyst would determine the processes and procedures for submitting trouble tickets on the phone call content, while the final player, the project manager, works to oversee the implementation of the solution. It’s a case study of how the roles interact with one another during the planning phase of the lifecycle.

Generally speaking, the pre-award statement begins the process of defining how goods and services will be procured, including the “what will be procured” or scope statement and the outline of high-level requirements that need to be considered for development. It is interesting to

note that for the contract management pre-award phase, the management of change request is clearly summarized as part of the risk-management plan. This is done in a similar exercise in using a “project-sizing grid,” typically used to ascertain the level of risk considering project type and other criteria including complexity and strategic importance. At the end of the day, each phase is dependant on evaluation criteria as an output for a “go” or “no go” decision to be made on whether or not to pursue the delivery of goods and services.

In the award phase, which covers requirements planning and management, the contract manager develops a contract-management plan, devises evaluation criteria and a procurement-document package, followed by a proposal. In contrast to this, the business analyst develops a list of requirements and a division of work, a list of stakeholders required for a given project using a certain matrix and a model to map who is responsible for what. The business analyst would work with a project manager to also identify roles and responsibilities across a project, and develop the tools used to gather and communicate these requirements before finally devising a resource work plan.

While these phases do not completely align themselves, there certainly is some overlap when considering what resources are required to produce the deliverables. The contract management plans and evaluation criteria certainly identifies the performance requirements that both the buyer and seller must meet.

In each stage of the sourcing relationship, the capabilities of business analysts can add significant value and improve efficiency. In the research stage, business analysts make a case for change. In the strategy phase, they scrutinize the enterprise and analyze the risks and benefits of outsourcing. When it comes to evaluation and selection, business analysts classify the requirements and identify partners that can meet those business needs. In terms of procurement, business analysts select vendors, negotiate terms, develop contracts, implement relationships and structure a flexible partnership with defined service levels and payment models. As far as management goes, business analysts handle governance and review by monitoring the relationship and reacting to change effectively.

Ensure Sourcing Success Through Business Analysis

As organizations work to define the role of business analysts and begin incorporating business-analysis skills into sourcing projects, the risk of failure in global sourcing will decline. From single project contracts overseas to full-scale IT operations deployed abroad, skilled management is critical for sourcing success.

Strategically marrying the distinct, yet complementary skills of business analysts and contract managers will yield improved results in sourcing arrangements. To achieve this desired effect, the two job functions must have clearly delineated tasks and responsibilities.