

The 3 Cs of Sourcing Success






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The 3 Cs of Sourcing Success

Jim Foreman, PMP (May 21, 2007)

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Outsourced IT initiatives are failing at an alarming rate. To improve project success where sourcing is involved, organizations must focus on developing individual competencies in a variety of disciplines, and then foster collaboration and communication, both internally and with external service providers.

The idea behind sourcing is simple: Do what you're best at, and hire someone else to take care of the rest. Sourcing is designed to help organizations save money through the purchase of services or products provided by an external service provider. Ideally, organizations get what they need for less money and effort than it would cost them to do it themselves.

The problem? Sourcing initiatives are failing at an alarming rate. According to a Standish Group study conducted of more than 9,000 information technology projects in the United States, most of which involved external service providers, project success rates have settled at a startling 28 percent.

In order to improve project success where sourcing is involved, three essential "Cs" are required: competence, collaboration and communication. Understanding the intricacies of these three Cs, as well as examining sourcing in an ideal structure, will allow organizations to look at existing sourcing practices in a new way.

Developing Competence in Individuals and Organizations

Competence is a widely used term that generally encompasses knowledge, skill, ability and experience. There are two distinct types of competencies — those that address organizational success and those that address success for a specific job. Both categories should describe employees' behaviors — descriptions of how they might be expected to perform their responsibilities.

Those competencies that address organizational success are common across many jobs and demonstrate the key behaviors required for success regardless of position within the organization. For example, leadership or communication skills might be considered organizational competencies. All employees, regardless of function or role, should be accomplished in these areas in order to contribute to the success of the organization.

Competencies that address success for a certain job are known as functional competencies. These refer to an individual's ability to perform a given set of activities based on his or her particular job. For instance, functional competencies for a network administrator might include the ability to install a new server or troubleshoot network performance issues.

Individual sourcing competencies, however, can be tricky. Successfully managing the sourcing of products and services through external firms requires a set of integrated functions, processes and skills. Competence in those integrated areas leads to more successful sourcing initiatives for organizations.



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In analyzing the activities required for successful sourcing, the majority of the tasks fall into three fundamental disciplines: 1) business analysis; 2) managing work as a project; and 3) contract formation and implementation. Regardless of their role within the organization — as a contract manager, project manager or business analyst — chances are that most employees deal with sourcing on some level.

The key to successful sourcing is developing individual competence in a variety of disciplines so that organizational competence in sourcing can be achieved. These competencies must be developed in individuals performing the functions of the business analyst, project manager and contract manager. Then, individuals must develop some level of competence in the other disciplines to facilitate a comprehensive understanding of sourcing functions and strong team communication.

From Competence to Collaboration

Competence is critically important. However, in isolation, it is not enough to ensure success. Collaboration is the next component for successful sourcing. The best implementations of skill development and performance improvement have two key dimensions: cross-functional teams and integrated processes.

When individuals and their respective skills are brought together in a collaborative, cross-functional team environment, the potential for significant performance gains is enhanced. The team must be:

- ___ the right size
- ___ composed of the right skills
- ___ committed to measurable performance goals
- ___ committed to a common approach
- ___ committed to mutual accountability

In short, internal collaboration must be fostered in order to achieve significant, sustainable results.

Process integration depends on two key factors: role definition and communication. Many individuals may be asked to perform or support specific tasks during the sourcing life cycle. In some organizations, these tasks are well aligned with job descriptions. However, in others, individuals may be required to assume the responsibilities of a role that is not congruent with their job description and title. This can happen for several reasons, including ad hoc approaches to unique situations, geographic dispersal and other factors common in today's complex organizational landscape.

One essential way to both promote collaboration and improve the probability of a successful contractual relationship is to collaboratively focus on risk. Such a step will both promote greater cross-functional cooperation and significantly reduce exposure to various risks. This collaboration can and should occur both within the buyer and vendor organizations respectively, and between the organizations. It should be noted that such an approach is not without some difficulty for many organizations, since an effective implementation of the concept requires a significant degree of candor and openness on the part of all parties.

Effective Communication

The third factor for successful sourcing is communication. Given geographic separation, potential cultural differences, multi-company alliances and other inhibiting factors, effective communication becomes absolutely essential.

Consider the following activities. Each involves extensive — and concise — communication between sourcing team members.

- > During the strategy and planning stage, the roles and responsibilities must be communicated to the project team and stakeholders.
- > As the team moves into the search and select stage, vendor requirements must be communicated to the potential vendors.
- > In the contract and negotiation stages, the status of contract negotiations and evolving timeframes for the deal must be communicated to everyone involved.
- > After the contract is signed, it is essential that roles and responsibilities for both the vendor and buying organization are made clear, and that vendor performance is measured and understood.

Ineffective communications in each of these scenarios has the potential to single-handedly ruin a sourcing project. Therefore, a consistent communication approach that spans the entire sourcing life cycle, rather than one that concentrates primarily on the implementation phase, must be employed.

An effective communications plan should incorporate all stakeholders and be oriented toward providing all data and information needed for successful performance at each step of the sourcing



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process. It should also allow for analysis of communications tasks, ensuring that communications are comprehensive, appropriate and timely.

The business world is undeniably moving toward the increased use of external service providers and vastly distributed organizations. In this complex environment, sourcing becomes a critical focus of almost every organization. The transfer of work to external service providers will test the limits of today's processes and skills.

The essentials of successful sourcing rest on a basis of individual and organizational skills. By using a standard framework for assessing an organization's sourcing requirements and processes, the organization can then begin to focus on developing competence, building collaboration both internally and with external service providers, and fostering strong communication to bring it all together.

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