CHERUB

ADVISORY & CONSULTING

IT Sourcing for Maximum Value

Sourcing Management: Prepare for Excellence

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PREFACE

This paper is the second in a series of three Cherub white papers on the subject of Sourcing Management.

The three papers in the series are titled:

- Sourcing Management: What's the Problem
- Sourcing Management: Prepare for excellence
- Sourcing Management: Beyond Outsourcing

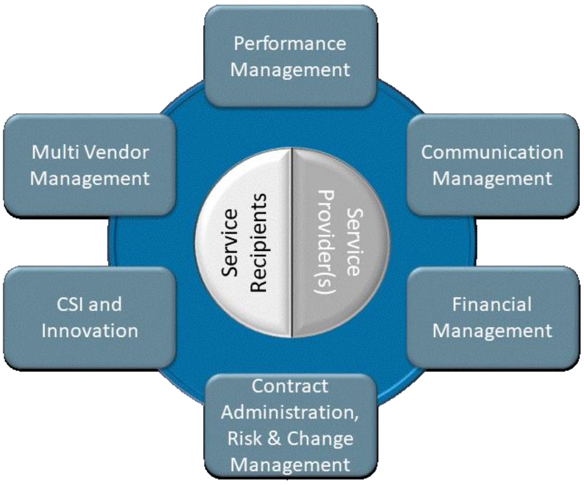
The series presents insights into Cherub thinking on the subject matter and précis our approach to helping our clients establish the mechanisms and disciplines necessary for effective management of sourced services.

Introduction

In the first paper of this tri-part series *"Sourcing Management: What's the Problem?"* we identified that despite a lift in satisfaction with the results from outsourcing in recent years there remains considerable room for further improvement.

From our observations and experience we believe a significant and ongoing problem with realising further gains to be a poor understanding of the sourcing management function. This is compounded by inadequate planning, preparation and execution, even in situations where the scope of holistic sourcing management is understood.

Figure 1. Six capabilities sourcing management



Six capabilities

We presented our view that the sourcing management function is comprised of six primary capabilities:

- Performance Management;
- Communication Management;
- Financial Management;
- Contract Administration, Risk & Change Management;
- CIS and Innovation; and
- Multi Vendor Management.

Effective sourcing management interacts with and influences both the service recipient and the service provider.

Four stakeholder groups

We also identified the four stakeholder groups; two on the service recipient side and two on the provider side, which practitioners of sourcing management need to work with:

- Enterprise senior management – the persons sponsoring and responsible for the sourcing strategy;
- End user community – the persons within the enterprise who actually use the contracted services on a day-to-day basis;
- Senior management of the service provider – the persons responsible for profitability of the deal at the service provider enterprise; and
- Service delivery and support agents of the provider – the persons responsible for the day-to-day operational supply of the contracted services.

In this paper we explain where in the sourcing life cycle the sourcing management capability needs to be established and offer our insights into how to prepare to excel.

Next, we explore the factors which motivate and drive members of each of the four stakeholder groups. We identify some of the key levers available to practitioners to influence and manage the often conflicting aims and objectives of the four groups. In particular, we look at the provider-side stakeholder groups and what drives and influences their behaviour.

Lastly, we identify critical success factors to consider in order to achieve excellence in the form of the desired outcomes and objectives from sourcing arrangements.

Prepare for capability excellence

The key to achieving excellent results from outsourcing deals is excellence in the discipline of sourcing management.

To achieve excellence enterprises must build suitable proficiency in the required competencies and skills. They must do so for each of the six capabilities that comprise the sourcing management function (see Figure 1).

When should this start?

Figure 2 depicts the six major stages of the sourcing life cycle.

Figure 2. Sourcing life cycle model

One mistake we commonly see is managers, including C-level executives, embarking on a sourcing initiative by interpreting the high-level stages of the sourcing life cycle as presenting a strict chronology of activity.

When traversing an iteration of the cycle it is important to recognise dependencies between the major stages. It is very important to recognise that excellence in Ongoing Management, the longest duration stage of the cycle, will only be possible if the prerequisite capabilities are planned, prepared and established during the earlier stages.

We highly recommend our clients consider the five stages in the order 1 – 5 – 2 – 3 – 4 when planning the work activities for an outsourcing initiative. We have found that doing so compels our clients to give appropriate early attention to the task of building the sourcing management capability.

Figure 3. Activities through the sourcing life cycle

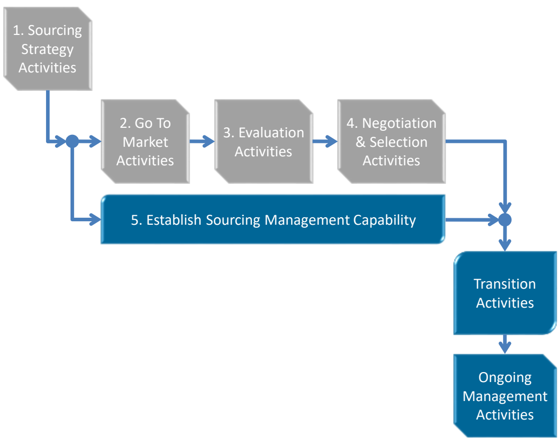


Figure 3 models our recommended order of activity as it might be represented in a high-level project network or flow chart. The diagram highlights the need to establish the sourcing management capability at the same time as progressing the Go To Market through Negotiation & Selection activities.

Following the 1 – 5 – 2 – 3 – 4 mantra guards against the immediacy (and often, urgency) of activity for the other four stages causing deferment of action to build the sourcing management capabilities until too late. It helps to ensure adequate resource and time is allocated to planning, preparing and establishing the sourcing management capability.

How much time and resource is required depends upon a range factors which include:

- the extent of change the new sourcing arrangement represents to the enterprise – organisational reach, complexity of services affected, cultural and political impact of the initiative, and the enterprise's proven competence in executing change management;
- the sourcing model of the new arrangement - single service provider, prime contractor, multi-sourced, other;
- the enterprise's prior experience with similar outsourcing arrangements;
- the extent to which the necessary competencies and skills already exist in the enterprise and the availability of suitable persons for assignment to roles in the sourcing management function of the new outsourcing arrangement; and
- degree of flexibility to hire persons with suitable proficiency in the necessary competencies and skills if appropriate, if available persons are not already on staff.

Regardless of the time and effort required, the sourcing management capability ought to be in place, ready to go prior to beginning the transition from current to new state of sourcing arrangement.

One of the first actions, if not the first, must be to assemble a detailed and comprehensive list documenting the competencies, skills and proficiency levels that will be required for each of the six capabilities which comprise the sourcing management function.

Follow that action with an audit of existing staff's competencies, skills and attained proficiencies, and map to those required so as to identify any gaps.

Once the gap analysis is complete it is possible to formulate and proceed with plans to close any disparities and prepare individuals assigned to the sourcing management function for their roles.

In the first paper of this *Sourcing Management* series we identified many of the key competencies required for each of the five capability domains.

To kick-start the documentation of the necessary competencies, skills and proficiencies in detail, we summarise the competency information from the first paper in Figure 4. Note the two main correlations in the competencies across the six capability domains. First, between the competencies required for the Communication Management capability, Continual Service Improvement and Innovation, and Multi Vendor Management; and second, between the remaining three capability domains.

TIP:

When reviewing staff competencies and skills, be on the lookout for any particular, or additional knowledge which they may have of special or important business functions in the enterprise. Consider whether any such knowledge would enhance the capabilities of the planned sourcing management function.

Figure 4. Key competencies map

	Sourcing Management Capabilities					
Key Competencies	Performance Management	Communication Management	Financial Management	Contract Administration, Risk & Change Management	CSI and Innovation	Multi Vendor Management
Focusing on results	✓	✓	✓	✓	✓	✓
Planning, prioritising and administering work	✓	✓	✓	✓	✓	✓
Behaving commercially	✓	✓	✓	✓		✓
Building relationships/ team working	✓	✓	✓	✓		✓
Influencing and persuading		✓	✓	✓		✓
Principled negotiating		✓	✓	✓		✓
Understanding business practices and approaches		✓	✓			✓
Understanding business organisation, politics and culture		✓		✓		✓
Understanding and analysing the competitive situation			✓		✓	✓
Focusing on customers	✓				✓	✓
Resolving conflicts and problems	✓	✓				✓
Understanding existing systems and technology	✓				✓	
Designing and developing applications					✓	
Applying procedures, tools and methods	✓				✓	
Understanding emerging technologies					✓	
Thinking strategically					✓	✓
Being adaptable		✓				✓
Managing projects				✓		
Managing change in the business from IT applications					✓	
Communicating/listening and gathering information						✓
Leading, inspiring and building trust						✓
Thinking creatively and innovating						✓

* Please note that the list of competencies is not intended to be exhaustive.

What makes stakeholders tick?

The sourcing management function should include the following two fundamental aims:

1. Ensure sourcing arrangements deliver to desired outcomes and objectives.
2. Foster, facilitate and open channel communication between the four stakeholder groups.

To excel, sourcing management practitioners must consider the outsourcing arrangements from the perspective of each stakeholder group.

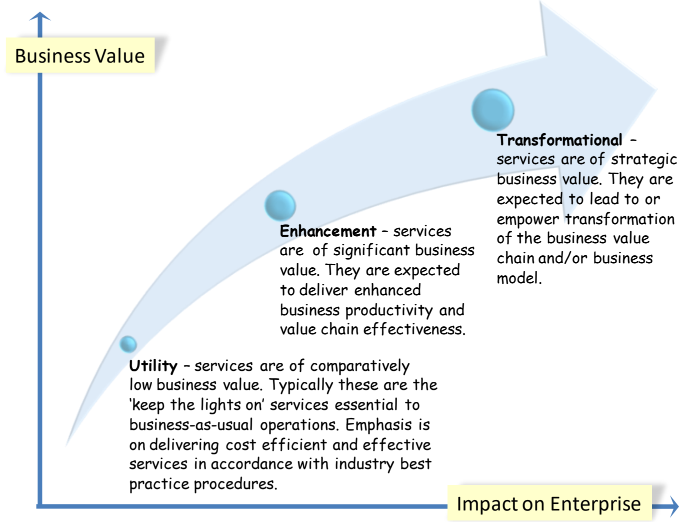
They need to understand what each group expects to gain from the arrangements. They need to know how the enterprise service users and senior management will judge the success or failure of each arrangement. They need to understand what the service providers providing the services expect to gain.

What is motivating the provider's service delivery and support agents? What is the service provider's senior management expecting from the deal?

The enterprise's senior management

How senior management of the enterprise will judge the success of each arrangement will vary depending upon the nature of the deal. Figure 5 provides an overview description of the three major contract types and illustrates their relative business value and enterprise impact.

Figure 5. Outsource contract types



Utility deals

Utility type deals – outsourcing of functions that are commodity-like; providing only low contribution to the business value chain – are likely to be judged primarily on the efficiency and effectiveness of service delivery and the price paid.

Typically, utility deals are entered into because senior management believe the services can be provided more efficiently and/or effectively by an external specialist than can be achieved in-house.

A second gain senior management may be looking for is flexibility in service volume. By outsourcing, fixed annual costs for provision of a resource-constrained volume of service may be replaced in the main by variable, pay-per-capacity required services. This can allow service capacity to be better matched to year-to-year changes in business need, at a predictable cost to the business. The extent to which this is achievable will depend upon the provisions, pricing schedules, and so forth of individual deals.

When there is a utility type deal senior management will want to be kept informed on measures of the efficiency and effectiveness of services delivered by the provider. They will also want to be kept informed of any price variations over time, or charges for extra-ordinary services.

When outsourcing services which have, to date, been provided in-house, senior management will be keen to ensure that people and monies previously devoted to providing the in-house service are deployed elsewhere. One danger is that some of those resources may end up providing a shadow service to the outsourced service. Responsibility for the fate of freed internal resources falls outside the scope of the sourcing management function. However it is important for practitioners in the role to be aware that senior management will likely be monitoring how those internal resources are redeployed and probably including that as one of the early success/failure criteria for the outsourcing deal.

Enhancement and Transformation deals

Enhancement and transformation deals provide progressively greater contribution to the business value chain. They also have progressively greater impact upon the enterprise.

With enhancement type deals senior management is typically seeking to leverage the knowledge and competencies of the provider to drive productivity gains in existing business functions and enhance the business value chain.

With transformation type deals senior management is seeking to leverage the provider's knowledge and competencies to fundamentally rejuvenate or alter existing business functions. Such change may enable a new business model or paradigm shift in the construct or net worth of the business value chain.

As may be expected, both deal types will provide for significantly higher levels of consultancy services from the service provider than is to be found in utility type contracts. Transformation type deals will have an even greater component of consultancy services than enhancement type deals.

In either deal type, utility type services typically form a subset of the portfolio of services to be provided overall. It is that utility service component that differentiates these outsourcing deals from traditional professional consultancy service arrangements.

When there is either an enhancement type deal or a transformation type deal senior management will be most concerned with outcomes from the consultancy services.

The utility service component will be judged in the same ways as with utility type deals, and for the same reasons.

Senior management are almost certainly going to measure the success or otherwise of the consultancy component using business measures agreed with the provider at the time of negotiating the deal. For example, achieving a 10% improvement in EBITA[1] by the second year of the deal; achieving 25% growth in revenues by year three as a result of establishing a new sales channel to new markets.

Control of outcomes such as these is beyond the scope of the sourcing management function. Awareness of whichever such measures have been agreed is important however.

Factors which are in scope and that will be of particular concern to senior management, and which may at least be influenced, at best controlled by sourcing management practitioners include:

- Quality of the people assigned by the service provider to the consultancy service roles - ensuring that persons of suitable depth and breadth of knowledge and experience are assigned;
- Continuity of the people assigned to the consultancy roles – ensuring that the core team of consultants and advisors are assigned for the duration of the consultancy service period.
- Ability and willingness of the service provider to supplement the core team of consultants and advisors with additional and appropriately proficient subject-matter experts as and when required.

The end-user community

The end users of the services contracted for will be concerned firstly with how the new service arrangements will impact them in the daily performance of their duties and secondly, how it may affect their colleagues.

The user community are most likely working within a framework of business process service level agreements (SLAs) and key performance indicators (KPIs).

They will quickly deem outsourced services to be unsatisfactory if service performance prevents, frustrates or otherwise impedes them from getting their job done, or from collaborating readily and effectively with their colleagues and external parties. Particularly, if that occurs to such a degree it affects users' ability to meet their SLAs or KPIs. We suggest identifying by role the broad groupings of end users that exist in the enterprise and which consume the contracted services.

Poor sourcing management allows deal to drift and ultimately fail

- XYZ Company – a well-known, major Australian enterprise outsourced its IT services. The contract was for 3 years, having previously been renewed for 3 years.
  Within 6 months it became apparent to XYZ's senior management that the service provider was failing to meet certain key performance milestones. They referred to the contract but for commercial and other reasons chose not to use any of the provisions available to put pressure on the service provider to perform better.
  The service provider's performance further deteriorated over time and performance milestones continued to be missed. Eventually performance deteriorated to the point where XYZ started disengagement procedures

Lessons Learnt

- XYZ failed to take action with the service provider when performance first started to deteriorate. In essence, they did little over a 2 year period other than become internally frustrated. Had XYZ taken positive action with the service provider to remediate the situation as events were occurring, it's probable that the performance, and relationship, wouldn't have deteriorated to the point where disengagement resulted.
- Little or no effort was made during the 2 year period to work with the service provider to understand what was going wrong. All XYZ did was complain, with no strong action. All the service provider did was continue to perform badly. Had XYZ and the service provider worked together to identify the root causes of the poor performance and XYZ's dissatisfaction, steps could have been taken to improve the service provider's performance.

To the extent privacy and confidentiality requirements and company policy permits, have the sourcing management practitioners familiarise themselves with the enterprise's KPI model and the nature of the KPIs for each broad group of service users. They should also familiarise themselves with any internal business process SLAs.

Then identify those particular services (the key one or two) which would most quickly impact each group's ability to meet its SLAs or KPIs if subjected to poor service performance from the provider.

Aside from any direct impact upon their ability to work and collaborate effectively, the propensity of users to become dissatisfied will be next most driven by hygiene factors in respect of the service provider's front line staff. Factors such as:

- Courtesy, responsiveness and attitude;
- Empathy for the user's priorities and concerns;
- Any significant and demonstrable lack of understanding of the enterprise's business, its organisation structure and more specifically, of the various roles of the users;
- Language skills and awareness of cultural sensitivities where the provider is offshore.

The sensitivity of the user community to service performance issues will be significantly heightened in situations where a new sourcing arrangement has noteworthy impact upon the enterprise's culture or political status quo. This is especially true when transitioning from internally provided to outsourced services.

Note also that where there is either an enhancement type or transformation type contract, senior management will most likely be the primary users of the consultancy services component of the deal. In which case the end user concerns outlined above will largely apply in addition to the concerns of senior management stakeholders.

Service Provider's senior management

Service provider senior management will be motivated by the following critical two outcomes:

1. Profit margin attained from the deal – at a minimum the deal must return a commercially viable profit. Beyond commercial viability the service provider may have other threshold margin rates which their senior management may need to attain, or be rewarded for attaining.
2. Commercial reputation – at least, to maintain their enterprises service reputation in the marketplace. Better still, enhancing that reputation as a result of the service provided to the enterprise.

The profit margin motive may however be moderated at the time of winning the business if the service provider has an overriding strategic interest in doing so.

For example, the service provider may be seeking business growth by entering or increasing their presence in markets that represent for them, a new geographic region or new client industry sector. Likewise, they may be interested in significantly increasing market share or their business profile in a region or industry sector where they already have an established presence.

The enterprise may be seen as a key client in the region or industry sector; or the scope and scale of services being sought may be viewed as presenting strategic opportunity to the service provider.

Alternatively, the service provider may be interested in winning the business as a means of preventing a competitor from entering a market, attaining a strategically important client, or growing market share.

If the service provider considers or considered winning the business to be of significant strategic importance then they have been or may be prepared to do so at the sacrifice of normal profit margin.

Be alert to such situations. Inevitably senior management at the service provider will seek to restore the deal to normal profit margins over the life of the contract. Typically, they may seek to do so in one or more of the following ways:

- Through the price increase mechanisms built into the contract;
- By decreasing the cost of providing the services. This may reduce the quality of the services received, for example the service provider may try to assign less proficient or more junior staff to the contract in place of the original team; or
- By working to a rigid interpretation of the contract statements of works and SLAs and charging extra for any works or levels of service that fall outside of that strict interpretation.

Of course, any of the above mechanisms may be used to by the service provider to grow the profit margin of the deal over the life of the contract, regardless of the margin starting point. Any one of them could result in the enterprise stakeholders (senior management and users) being dissatisfied with the outcomes of the deal.

Another important factor that will drive service provider senior management's assessment of the profitability of the deal is the contribution to profit margin made by each separately charged for service in the contract.

Not all services will generate the same contribution to margin. Some will contribute more than others and will therefore be more valuable in the eyes of the service provider senior management than others.

Figure 6 provides a table of the common pricing models used to price the various services specified within a contract. (The same models may be used to price services that are outside of the contract.)

Sourcing management practitioners ought to know which pricing models are used for which services; and be aware of the relative financial risk each presents to the enterprise and to the service provider.

Figure 6. Service pricing models

	Financial Risk			
Pricing model	…to Service Recipient	…to Service Provider	Charging Method	Calculation Input Measures
Fixed Price	Low	High	Fixed rate	Deliverables and time
Cost plus	Medium	Low	Actual cost plus fees	Deliverables and SLAs
Time and materials	Medium	Low	Fixed rate hour/day/month	Deliverables
Gain share	Medium	Medium	Fixed rate plus % of $ gain	SLAs or deliverables and time
Usage based	Medium	Medium	Rate per transaction	Resource units

Business benefit	Medium	High	% of profit or revenue	Business metrics
Shared risk/reward	High	High	Fixed rate plus % of $ gain	SLAs and business benefit

For obvious commercial reasons it is highly unlikely the service provider will disclose the relative contribution each service makes to the overall profit margin. Nor are they likely to disclose the overall margin for that matter. However, to understand the motivations that may lay behind actions and negotiating tactics of the service provider's senior management over the life of the contract we recommend seeking to discern the business model of the service provider.

Do they typically provide significant projects to their clients? Do they have a positive record of extending and expanding their steady state business with clients? Do they push one type of pricing model in preference to others? Questions of this nature may give you insights into their desired outcomes, which in turn allow the enterprise to balance those with the required outcomes for the enterprise.

Service Provider's delivery & support agents

The service provider's service delivery and support agents, including their operational managers, are the 'coal face' staff assigned to the deal.

The service provider will have an internal staff performance management framework in operation. In common with the majority of best practice enterprises, that framework is likely to be heavily based on the well-known Kaplan & Norton Balanced Scorecard methodology[2].

The Balance Scorecard (BSC) method seeks to align operational activities to business strategy objectives by striking a balance in focus between four performance perspectives.

These perspectives are:

- Financial
- Customer
- Internal process
- Learning and growth.

The service delivery and support agents of the provider will most likely have at least one and possibly several KPIs for each of the four BSC perspectives. Achieving their assigned KPIs will be the main driver of the agents' behaviour.

The customer perspective will almost certainly include a measure of customer satisfaction but this alone is too broad-brush to drive optimal performance from the service provider's agents.

We recommend enterprises identify the measures used by the provider to manage their staff's performance across all four perspectives. Endeavour to learn what the KPIs are as well as how they are actually measured, and how often.

Then look for ways to link achievement (and over-achievement) of the contract's service performance measures with the service provider's internal staff performance KPIs. Go beyond the broad-brush of customer satisfaction rating. Seek to establish those links in the mindset of the service provider's service delivery agents.

Levers to work with

There exists a range of direct and indirect levers that can be employed to drive and influence the behaviours of each of the four stakeholder groups. Of course, the two main groups to drive and influence are those on the service provider side. That is, the provider senior management stakeholder group and the service delivery and support agent stakeholder group.

At Cherub we work with our clients as may be required over the life of their sourcing contracts to advise and assist them to exploit the full range of levers to best advantage.

The most valuable lever available is knowledge. Knowledge is the foundation for effectively influencing members of all four stakeholder groups. The adage *"knowledge is power"*[3] holds true for excellence in sourcing management. As always, that power needs be used judiciously by sourcing management practitioners who are proficient in the competencies of emotional intelligence and communication.

Direct levers

The most obvious and direct levers are those built into the contract Master Service Agreement and supporting schedules– the statements of works, service level targets, performance measures and reports, rebates for poor service performance, dispute resolution mechanisms, and at the extreme end of the spectrum, contract termination conditions.

Indirect levers...

Whilst the contract and supporting schedules provide the direct levers, there are a number of indirect levers available, some of which have been identified in the preceding section on what makes stakeholders 'tick'.

... Applicable to the Service Provider

The best indirect levers available to influence and drive the service provider are:

- The performance management framework and KPIs used by the service provider to manage the internal performance of its service delivery and support staff;
- Knowledge of, and demonstrated interest in, the service provider's business. We suggest you strive to:
    - Discover the service provider's growth strategy and if possible, who they may be targeting as potential clients.
    - Identify the true reasons why the service provider wanted to win your business.
    - Know the relative strategic importance of the business to the service provider – and be alert to how that may change over the life of the deal.
    - Know what the senior management at the service provider expect to gain from the deal – and be alert to changing expectations over the life of the deal.
- Understanding of the pricing model applied to each service and, to the extent it is possible to ethically discover, which services contribute most to the service provider's profit margin on the overall contract; and which least.
- Knowledge of the service delivery and support agents' actual experience, formal qualifications and demonstrable proficiencies in the competencies and skills needed by the enterprise in respect of the contracted for services.
- The political capital of peer-to-peer, two-way communication between enterprise senior management stakeholders and those of the service provider.

- The goodwill from timely, open, two-way communication between enterprise service end-user community and the provider's service delivery and support agents.
- Political gain from overt networking by enterprise sourcing management practitioners and senior management stakeholders with their respective counterparts at other customers and prospect customers of the provider's outsourcing services.

...Applicable to internal (Service Recipient) stakeholders

The best indirect levers available to influence and motivate enterprise internal stakeholders are:

- The KPIs of the staff performance framework the enterprise uses to manage the end-user community. Use the KPIs and other elements of the staff performance framework to encourage the user community to:
  - overcome any latent cultural or political opposition they may have to the outsource arrangement; and to
  - foster a favourable environment for the outsourcing arrangement to operate in so as to optimise conditions for success.
- The political capital of peer-to-peer, two-way communication between senior management stakeholders and those of the service provider.
- The goodwill from timely, open, two-way communication between enterprise service end-user community and the service provider's service delivery and support agents.
- Knowledge of the type of deal enterprise senior management stakeholders sought to put in place – utility, enhancement or transformation. This knowledge will enable sourcing management practitioners to understand what senior management stakeholders will consider important when judging the overall success or failure of the deal. It will also allow them to correctly frame their communications to senior management stakeholders.

Critical success factors

We offer the following as critical success factors for firstly building sourcing management capability; and secondly managing the four stakeholder groups.

Building sourcing management capability

1. Understand the six capabilities that comprise the sourcing management discipline.
2. Recognise the importance of excellent sourcing management to realising expected service outcomes and enterprise objectives. Resource the function accordingly.
3. Build suitable proficiency in the required competencies and skills for each of the five capabilities that comprise the sourcing management function.
4. Follow the 1 – 5 – 2 – 3 – 4 mantra when traversing the sourcing life cycle. Plan, prepare and establish the prerequisite sourcing management capabilities early in the cycle.
5. Identify early, and proceed to close any gaps that may exist between existing staff's competencies, skills and proficiency levels and those required for each of the five capabilities which comprise the sourcing management function.
6. The sourcing management capability ought to be in place, ready to go prior to beginning the transition from current to new state of sourcing arrangement.

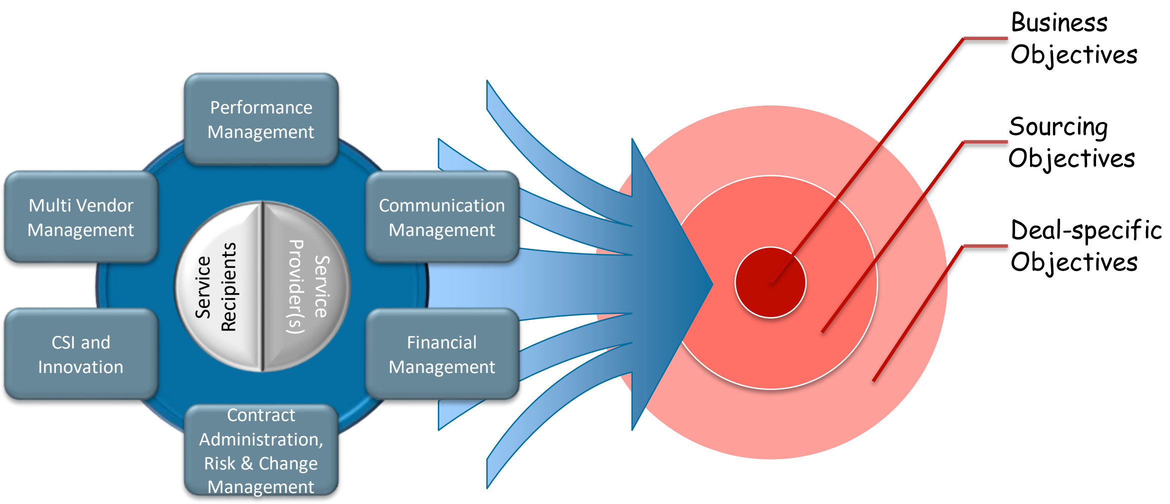
Managing the four stakeholder groups

1. Know the enterprises internal stakeholders' expectations from each of the sourcing arrangements.
2. Be aware of the reasons why senior management chose to outsource in the first place.
3. To the extent regulations and company policy permit, know for each main job role group across the service user community, the business process SLAs that people working in those role groups adhere to. Also be familiar with the KPI model as it applies to each user group.
4. Know the business of the service provider and keep that knowledge fresh over the life of the deal.
5. Communicate frequently to all stakeholders; avoid surprises.
6. Frame communications to each of the four stakeholder groups according to what each group considers important.
7. Foster, facilitate and channel open and on-going communication between the four stakeholder groups.
8. Arm enterprise senior management stakeholders with any relevant and current information about the service provider, their business and their latest service performance.
9. Seek to create appropriate opportunities for the service provider's staff to achieve, whilst servicing the contract, their Balanced Scorecard Card (or other performance management framework) KPIs, beyond that of client satisfaction.
10. Avoid driving the service provider so hard that you tip the deal over the edge and into unprofitability from the provider's perspective.

Conclusion

As the use of outsourcing in Australia and across the Asia-Pacific region grows and broadens into business processes and other non-IT functions it will become increasingly important that the dollars invested contribute maximum economic benefit. That is, that the sourcing deals work and fully deliver to objectives.

Figure 7. Outcome of sourcing management capability excellence



Enterprises will not be able to concentrate fully on core, value-adding activities they are being unnecessarily distracted, or worse still, hobbled by poor service performance and inadequate outcomes from those services they have chosen to source externally.

Whilst business satisfaction with the outcomes from outsourcing non-core services has increased in recent years, greater satisfaction and better outcomes are sought and can be achieved.

The key is excellence in the discipline of sourcing management.

In its absence deal-specific objectives and sourcing strategy objectives will be at risk. Ultimately enterprise's business objectives may also be compromised.

At Cherub we assist our clients to appreciate the scope of the sourcing management function and to prepare for, establish and achieve excellence in the discipline.

In the third paper of this tri-part series on *Sourcing Management* we will examine other situations where the capabilities of the sourcing management function can be used to great effect.

CHERUB

ADVISORY & CONSULTING

Cherub is a Sourcing Advisory and Consulting firm that specialises in providing practical and actionable insight and consulting spanning the entire sourcing lifecycle.

Our single-minded focus is on understanding the Australian IT Sourcing marketplace and leveraging our unrivalled practical experience and market perspective to provide our clients with pragmatic and actionable sourcing advice, solutions and consultancy and help you answer critical questions such as:

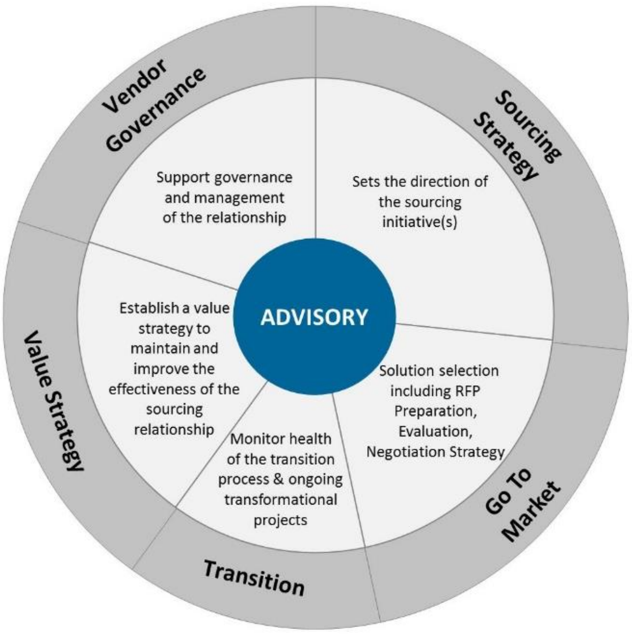
- Am I getting value for money today from my current deal?
- Is my strategy optimised to business needs?
- How can I get the right vendor, with the right services, backed by the right deal?
- How do I realise the goals and objectives of my strategy?
- What should I do to ensure success?

We know that the sourcing journey has many stages. Our Lifecycle Solutions Framework is pivotal in helping our clients to understand each stage of the journey and where their sourcing initiative fits into the overall sourcing journey.

It provides a platform from which clients can have a clear and informed view of the foundational activities and steps that have preceded the journey to date; as well as understanding what activities and steps need to follow to ensure success.

At the heart of our Lifecycle Solution Framework is Advisory Services which is the foundation of everything Cherub does and delivers. Our understanding and appreciation of both the 'hard' and 'soft' aspects of Advisory means that we are able to extend 'thinking' into 'doing' through the application of our best practice approaches, methods and tools.

Figure 8. Cherub's Lifecycle Solutions Framework



This is achieved through our Consulting Solutions that can be used to complement a client team's capacity or capability. Alternatively, a client may opt for a targeted sourcing consultancy where Cherub delivers an end-to-end solution. Such sourcing consultancies can focus on some or all aspects of the sourcing lifecycle, including:

- Sourcing Strategy to set the direction;
- Go To Market to select the solution;
- Price Benchmarking to evaluate the deal, set the price baseline and inform the business case;
- Transition to monitor the health of transition and ongoing transformational projects;
- Value Strategy to review, refine, and if necessary, undertake rectification of a service contract to help maintain and improve the effectiveness of the sourcing relationship between the customer and the supplier; and
- Vendor Governance to support excellence in governance and management of the relationship, including where required, the design and establishment of the vendor management office and toolsets.

We pride ourselves in our flexibility to either "roll our sleeves up" and work closely with clients; or to simply provide expert guidance in a more advisory role.

We believe it is our many years of real world experience combined with our deep functional expertise that provides lasting value to our clients.

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