Kuwait Business Process Outsourcing Conference
Minimizing Risks, Maximizing Business Gains
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ISO 37500:2014 Guidance on Outsourcing

ISO (International Organization for Standardization) is a worldwide federation for national standards bodies.
Road Map

- ISO 37500 Standard
- Scope of Standard
- Outsourcing Life Cycle Model
- Outsourcing Governance
- Four Phases of Outsourcing
- Take-Away Messages
What is ISO 37500?

International Standard that aims to provide guidance for outsourcing for *any* organization to *any* sector.

ISO 37500 includes:
- Outsourcing lifecycle in 4 phases
- Good practices processes
- Concepts
- Terms and definitions
What is ISO 37500?

- Provides detailed guidance on life cycle, process, and outputs
- Applies to generic and industry independent foundation
- Supplemented and tailored to suit industry-specific requirements
- Can be used before, during, and after outsourcing decision
- Phases provide client and provider perspectives
## Objective

- Provide foundation to enable organizations to enter into, and continue to sustain, successful outsourcing arrangements throughout contractual period.

## Deliverables

- Good outsourcing governance for the mutual benefit for client and provider
- Flexibility of outsourcing arrangements, accommodating changing business requirements
- Identifying risks involved with outsourcing
- Enabling mutually beneficial collaborative relationships

## Purview

- Standard can be tailored and extended to industry-specific needs
- Relates to any outsourcing relationship: first time or not – single/multiple provider model – draft agreements based on service/outcomes
- Used by: clients, providers, practitioners
Outsourcing Reasons and Risks

**Reasons:**
- Manage cost
- Strategy changes: what to make/buy
- Access capabilities unavailable in-house
- Transfer risks – increase share of variable cost (i.e. transfer assets/staff)

**Risks:**
- Absence of strategy
- Poor understanding of environment dynamics
- Blind focus on cost reduction
- Underestimated business impact
- Poor cultural compatibility
- Poor understanding of the process
- Poor relationship management
Outsourcing Life Cycle Model

Outsourcing Governance:
Continuous monitoring, evaluating, and directing all phases of life cycle
Involves development of process

Figure 2 — Outsourcing life cycle model
## Outsourcing Governance Framework

### Purpose and Principles
- Monitor, evaluate and direct the cycle
- Strategic outcomes and mitigate risks
- Client-provider interaction processes, customs, policies, and joint management committees

### Management
- Focus on providing contracted services
- Jointly agreed roles and responsibilities
- Involve both client and provider
- Appoint empowered manager
- Many forms (i.e. Top management)

### Joint Governance Committees
Number of committees, meeting frequencies, attendees and tasks depend on scope, complexity and size of agreement

### Appreciation of Cultural Differences
- Understanding/appreciation cultural context
- Awareness of national cultures
- Consideration of organizational cultural elements such as

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Outsourcing Governance

Processes

1. Develop and maintain joint objectives
2. Establish Governance Committee
3. Monitor, evaluate, direct outsourcing
Outsourcing Life Cycle Model

The Four Phases

1. Outsourcing Strategy Analysis
2. Initiation and Selection
3. Transition
4. Deliver Value

Each phase includes:

a) Purpose
b) Main activities
c) Key Success factors
d) Main inputs and outputs

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Phase 1: Outsourcing Strategy Analysis

**Purpose:** To evaluate and initiate outsourcing opportunities and establish/maintain an outsourcing strategy that meets business goals and requirements.

**Outputs:**
- Outsourcing strategy
- Initial business case
- Decision document
- Execution plan

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**Figure 2 — Outsourcing life cycle model**

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The Funnel Approach

Figure 4 — Outsourcing strategy analysis funnel
**Phase 2: Initiation and Selection**

**Purpose:** To specify the requirements for outsourcing, the identified outsourcing goals, to select adequate providers, and to successfully establish the outsourcing agreements.

**Outputs:**
- Detailed outsourcing model
- Record of provider selection process
- Selected provider
- Signed outsourcing agreements
- Detailed business case
- Detailed risk assessment
- Transition plan
Phase 3: Transition

**Purpose:** To specify the requirements for outsourcing, the identified outsourcing goals, to select adequate providers, and to successfully establish the outsourcing agreements.

**Outputs:**
- Established delivery capability
- Baselined business case
- Formal sign-off transfer
**Phase 4: Deliver Value**

**Purpose:** To ensure that both client and provider realize and sustain the benefits of the outsourcing agreement through collaboration.

**Outputs:**
- Delivered service performance
- Balanced demand and supply
- Easily accessible managed current joint knowledge
- Analysis of value delivered
- Preparation to make continuation/exit decision

Figure 2 — Outsourcing life cycle model
1. Business case

**Phase 1** Create initial high-level business case

**Phase 2** Detail business case

**Phase 3**
- Touches reality
- Fine-tune and baseline to reflect possible value

**Phase 4** Update periodically to include latest transformation, changes and improvement results

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End of Cycle Outputs

2. Agreement

- Documents the tangible, rational elements of the arrangement
- If conflict arises and escalates between client and provider, the agreement plays a vital role in managing liability and/or mediation.

Note: The International Standard stipulates the importance of business relationship processes within outsourcing governance to:
1. Create continuous alignment of ambitions and interests of all stakeholders.
2. To be resilient in resolving business case setbacks and disputes.
The ISO 37500 is a standard for guidance that can help ensure an effective, collaborative, and successful transaction between the client and provider.

Conceptualizing the outsourcing process as a life cycle, with governance as core, helps in measuring success and following up throughout the process.

To ensure complete beneficial gain and prevention of oversight, one should refer back to details and checklists within the standard before, during and after the outsourcing process.
Thank You