ISO 37500

A perspective on Standards for Global Outsourcing (Business and IT)

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ISO 37500 - Purpose

“ISO 37500 is intended to provide a foundation to enable organizations to enter into, and continue to sustain, successful outsourcing arrangements throughout the contractual period. This guideline gives guidance on:

- outsourcing governance for mutual benefit for client and provider;
- flexibility of outsourcing arrangements, accommodating changing business requirements;
- identifying risks involved with outsourcing;
- enable mutually beneficial collaborative relationships.”
ISO 37500 – The Life Cycle Model
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1. Outsourcing strategy analysis
   - Outsourcing strategy
   - Initial business case
   - Decision document for outsourcing
   - Execution plan

2. Initiation and selection
   - Detailed outsourcing model
   - Record of provider selection process
   - Selected provider
   - Signed outsourcing agreements
   - Detailed business case
   - Detailed risk assessment
   - Transition plan

3. Transition
   - Monitor, evaluate and direct:
     - Innovation, transformation and change
     - Delivery and relationship performance
     - Phase continuation or exit
     - Problem solving
   - Established delivery capability
   - Base lined business case
   - Formal sign off transfer

4. Deliver value
   - Delivered service performance
   - Balanced demand and supply
   - Easily accessible managed current joint knowledge
   - Analysis of the value delivered against goals, expectations and the business case
   - Preparation to make continuation or exit decision
ISO 37500 - Overview

This guideline:
• covers the entire outsourcing life cycle and provides definitions for the terms, concepts, and processes that are considered good practice;
• provides detailed guidance on the outsourcing life cycle, processes and their outputs;
• provides a generic and industry independent foundation. It may be supplemented and tailored to suit industry-specific requirements;
• can be used before, during and after the outsourcing decision-making is done;
• aims to enable mutually beneficial collaborative relationships.
ISO 37500 – International Approval

Four years to develop ISO 37500; published Nov 1 2014.

PC 259 members from standards bodies of Bulgaria, Canada, Denmark, Finland, France, Germany, India, Malaysia, Netherlands, Russian Federation, South Korea, Spain and the United Kingdom participated to varying degrees in work of the Technical Committee.

The standards bodies of eight other countries (Australia, Czech Republic, Ireland, Israel, Italy, Norway, Poland and Sweden) had Observer status entitling them to work as observers with the right to receive documents and submit comments but not to vote.
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Very strong support from these delegations
Alternatives to ISO 37500

1. “Managing Outsourcing: The Lifecycle Imperative” (London School of Economics working paper 139)

2. “Outsourcing Professional’s Body of Knowledge” (IAOP)

3. “Vendor Sourcing and Management Model” (International Data Corporation – IDC)

The LSE Outsourcing Lifecycle Model

- 54 specific activities, within 9 building blocks, within four phases.
- Each Building Block has a clear set of objectives to be achieved.
- Authors: Leslie Willcocks, Sara Cullen (2005)
The overall outsourcing process has five stages and the end of each stage has a gate (go/no go decision point) that the project must successfully pass through before entering the next stage.
Vendor and Sourcing Management Life Cycle

- Business Strategy
- Sourcing Strategy
- Vendor Selection
- Contract Negotiations

Opportunities tied to lifecycle

- Vendor On-boarding
- Transition
- Steady State
- Performance Mgmt
- Project Closure
The Life Cycle “maps the outsourcing process from its initial strategic discussions to the final termination of a relationship. It provides a framework for a complex set of activities that are undertaken by at least two parties and many individuals, over many years. To maintain a degree of simplicity the perspective of the client organisation is used.”
# Outsourcing Life Cycle Comparison

<table>
<thead>
<tr>
<th>Organization</th>
<th>Name of Life Cycle / Document</th>
<th>Current version published</th>
<th>Education available</th>
<th>Updated or revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISO</td>
<td>ISO 37500</td>
<td>2014</td>
<td>No</td>
<td>Yes</td>
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<tr>
<td>LSE</td>
<td>(i) The Lifecycle Imperative (working paper)</td>
<td>2006</td>
<td>No</td>
<td>No</td>
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<tr>
<td></td>
<td>(ii) The Outsourcing Enterprise (book)</td>
<td>2011</td>
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<tr>
<td>IDC</td>
<td>Vendor and Sourcing Management Life Cycle (IDC Document #247458)</td>
<td>2014</td>
<td>Not yet</td>
<td>TBD</td>
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<tr>
<td>NOA</td>
<td>Outsourcing Life Cycle</td>
<td>2012</td>
<td>NOA Pathway Programme</td>
<td>Yes</td>
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</table>
Perspectives on the value of ISO 37500

- ISO is a highly respected organization that sets international standards
- Governments (e.g. Standards Council of Canada) support ISO standards, especially in Europe
- The global outsourcing market is $450 billion and continues to grow
- The need for a recognized international standard suggests that large organizations, and governmental organizations (particularly in Europe) will adopt ISO 37500
- Adoption may be driven by risk management concerns
Concerns regarding the adoption of ISO 37500

• The United States (ANSI) has not participated and may not support ISO 37500
• Large global corporations (buyers) may have already defined their own outsourcing life cycle
• Similarly, outsourcing providers and advisors have defined their proprietary life cycle models
• Several alternative models are already in the market
  • LSE, IAOP, IDC, NOA, etc.
• ISO 37500 does not address issues of:
  • Security and privacy
  • Cloud sourcing
  • Social responsibility
The future of ISO 37500

• Canada Committee for the Adoption of ISO 37500 is being formed with support from Canadian Standards Association (CSA)
• Expectation that other countries such as UK, India, Germany will advocate adoption of ISO 37500
• Within two-three years, expect revisions will be needed to flesh out the standard, to address new issues e.g. security, privacy, cloud, social responsibility, etc.
• Commercial and proprietary life cycles will align with ISO 37500 (e.g. IAOP OPBoK)
ISO 37500

Thank you

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