



## Global Star Certification (GSC)<sup>TM</sup> - Measuring Outsourcing Viability

by Jerry E. Durant, Chairman - IOM

Before there was such a thing as outsourcing, client companies utilized “service providers”, companies who delivered specific information technology services. Clients often applied inconsistent review and examination methods that lead to numerous issues that often culminated in project failures. It became apparent in later years that these shortcomings resulted in catastrophic results that centered around the viability and delivery capacity of the service provider.

### Certify or Qualify?

Over the course of the last 20 years a shift has occurred from clients requested assessments of outsourcers to outsourcers taking a proactive pursuit of certification/qualification. This has allowed clients to obtain expeditious answers to fundamental questions about outsource (service) providers. Often the remote nature of outsourcers, and the number (in excess of 50,000 world-wide), has raised concern over reliable independent information about these companies. A few have chosen more costly approach that range from only buying services from large prominent outsourcers to establishing their own offshore affiliates. While the intent is to reduce delivery risks cost savings often are lost. Despite these risk minimizing approaches project related problems continue. Yet this is despite a growing pool of highly viable and capable outsource companies that linger with a sporadic and inadequate flow of work opportunities.

By the late 1990s outsourcing has become a known approach in dealing with escalating IT costs and the lack of resources. In an attempt to reduce known outsourcing risks (and as an alternative to other methods previously tried) companies are looking to companies who are certified/qualified outsourcers. Although there is a very subtle difference between these two designations; a qualification should be viewed as having fulfilled a specific set of established criteria whereas a certification gauges competency. Despite this fine line in definition, both provided invaluable benefit to both clients as well as those companies who have these designations. This is further described in the Value Proposition section of this white paper.

### History

In 1987 Certellus Corporation (formerly Certifiable Technologies Ltd.) was asked to evaluate a number of outsource service providers and to provide advise on suitable candidates for a major project at Shell Oil. A number of companies were approached, interviewed, and recommendations were made to the client. This information was based on facts gathered from a specific pool of service providers. Based on this report, and subsequent discussions, an informed decision was made and subsequent steps lead to choosing a service provider. Though dedicated commitment by the client, Certellus and the service provider a successful project was enjoyed.

Since that time Certellus has helped a number of other leading companies (Unilever, Eli Lilly, British Petroleum, Ericsson Telecom, SABIC, Siemens and over 50 other companies) in similar pre-engagement evaluations. Each successive engagement has provided additional assessment

### History (continued)

refinements that have led to its present form, as described later (GSC™). A key however is the client now can make more informed decisions about service providers rather than simply relying on choosing based on size or ownership.

While most outsourcer assessments have originated from client requests, Certellus as a leading outsource expeditor, has also conducted a number of independent outsourcer assessments. These have been used to choose which companies that are suitable for both short and long term partnering opportunities. Some of the companies that have been examined include Shine Technologies, Red Brick Software, Middle East Consultant Marketing Corporation, Link Egypt, Inteq, Yantai Haiyi Software, TestAssure, Outsourcing Ukraine, Ankur Technologies, SVI, Mitrais, Viet Tech, Universal Systems Technology and over 100 other companies globally.

In both client commissioned and Certellus originated studies the results are proprietary and are not available for public disclosure. History has shown however that the benefit of an independent viability assessment is a core principal that is required when examining an outsourcer for potential partnering opportunities. A sample of engagements are illustrated in the Sterilize Case Study section.

One might ask how can this information become known, visible, and available for use by both clients and outsourcers? The answer comes about as a result of the steps that Certellus Corporation took in order to bring this information to the general public. In June 2007 Certellus Corporation established the Global Star Certification (GSC)™ and later released this proprietary viability assessment model to an independent board governed organization representing the outsourcing community (The International Institute for Outsource Management – IOM). This allowed for the dissemination, recognition, the broadening of examinations conducted and objective oversight that is free from commercial self-interest. But why another examination? The answer is quite simple, business viability is the key to commercial success. A company that is not viable will not deliver, even though they may be process mature and capable. On the other hand, a company who is viable without process is apt to produce that are unacceptable. Therefore, GSC™ highly regards other qualifications/certifications in making determinations about the overall outlook that the outsourcing company might expect.

### Value Proposition

Any outsourcer will tell you that finding good reputable work is difficult. The market is fiercely competitive, often overshadowed by large consultancies, that make it difficult to get even the simplest project. Often exhaustive efforts are met with mediocre results and lost based on small differences in overall cost savings. Outsourcers find themselves competing in a sea of companies that look, sound and act the same way as they do. Even more troubling is that clients view this pool of resources is much the same way. Companies who have found ways to differentiate themselves, while providing positive value to their abilities, have risen above their competition.

In the late 1980s Watts Humphrey at the Software Engineering Institute (SEI) established the Capability Maturity Model (CMM) later to become CMMi (Integrated). The purpose of CMM was to help companies develop and refine organization processes. As outsourcing became more prevalent CMM was found to be a wonderful way to reflect, to a buying public, that they (as outsourcers) had the capability of delivering quality applications. Although there have been problems, ranging from misrepresentation to core delivery related issues, the value of being recognized as being capable has huge marketability value. Unfortunately, many outsourcers that use CMM have overlooked this original intent and have chosen to concentrate solely on its market recognition capacity. More alarming is the failure rate amongst outsourcing companies

Value Proposition (continued)

despite the meteoric rise in CMM qualified companies. In the September 2007 edition of IEEE Spectrum Dr. Robert Charette published that there are twelve reasons why outsource projects fail. Of these reasons half related to viability. These included;

- Poor reporting of the project's status
- Unmanaged risks
- Poor communication among customers, developers, and users
- Use of immature technology
- Stakeholder politics
- Commercial pressures

When project fail, companies fail. When companies fail this jeopardizes long term viability. Since a key is viability, measuring and assessing (ability to exist as an operating entity) this attribute in outsourcers is important.

Certifications/Qualifications are invaluable to both outsourcers and clients whether measuring delivery maturity or business viability. However, certifications/qualifications present no guarantees for success in either obtaining business or delivering results. Both client and outsourcers must expend energy to make for a successful sales pursuit or a effectively delivered project. Listed below are some of the benefits that outsourcers and clients through the certification/qualification process;

**OUTSOURCER VALUE PROPOSITION**

1. World class recognition.
2. Conducted by leading experts that are independent and objective.
3. Assessment foundation oversight by independent governing body.
4. Reduced pre-qualification time by potential clients
5. Value recognition in guiding growth and market promotion.
6. Foundation for process related qualification events.
7. Provides a framework for assessment of proprietary processes and progressive engineering methods.
8. Integrates and adds value to other qualifications.

**CLIENT VALUE PROPOSITION**

1. Expedites service provider qualification process.
2. Serves as a consistent means for service provider assessments.
3. Minimized impact of size of capability, which equates to monetary savings.
4. Independent and experience source.
5. Time limited qualification insuring higher assessment reliability.
6. Broadens scope of understanding by looking at business viability, and not just engineering process maturity.

What is Global Star Certification (GSC)<sup>TM</sup>?

Global Star Certification is a program that assesses the operating viability of companies providing outsource services, whether onshore, near shore or offshore. GSC<sup>TM</sup> measures the core capability for an organization to sustain an existence for a reasonable period of time.

What is Global Star Certification (GSC)<sup>TM</sup>? (continued)

The core detailed examination involves a review of:

- Management Qualifications and Tenure
- Short and Long Term Planning Vision
- Historical Performance – Fiscal and Evolutionary
- Financial Stability
- Capitalization and Funding
- Budgeting and Monitoring
- Ratio Study (eg. Debt/Earning)
- Marketing Collateral and Vision
- Sales Framework
- Short and Long Term Planning Vision
- Staffing Dynamics
- Technical and Operational Infrastructure Dynamics
- Process Qualifications & Maturity
- Communication Channels
- Organizational Depth
- Capacity Bandwidth Analysis
- Historical Delivery Performance
- Customer Satisfaction
- Product Delivery Snapshot Random Assessment
- Operational Cohesion

A key element of the GSC<sup>TM</sup> certification is full consideration for other related assessment qualifications. These include CMM<sup>TM</sup>, CMMi<sup>TM</sup>, V&VMMx<sup>TM</sup>, ITMark<sup>TM</sup>, ISO<sup>TM</sup>, TPI®, and TMMi® along with consideration for unique local/regional qualifications. This is important in melding together business viability with the ability of a company to deliver at a professional level. (Note that this is listed as one of the twenty areas of review.)

GSC<sup>TM</sup> affords certification on five qualifying levels (each reflected by a point on a Star); at the base are two foundation categories (F & F1), two quasi-operational and stable forms (S & S1), and one optimal level (O) reflecting stable maturity and sound long-term business presence.

All assessments are carried out using leading international experts in finance, business operations, marketing and sales, and information technology assessment. The process involves several steps comprised of both off-site and on-site involvement. This approach minimizes the impact on the outsourcer while providing a professionally based assessment. These steps include,

- Step 1 – Engaged Assessment
- Step 2 – Pre-Assessment Questionnaire/Fact Gathering (Client 2-3 days)
- Step 3 – Offsite Questionnaire/Fact Gathering Review (IIOM 3-5 days)
- Step 4 – Onsite Examination (Client/IIOM 2-5 days)
- Step 5 – Steps 2-4 Work Review, Scoring and Approvals (IIOM 5-10 days)
- Step 6 – Certification Level Granted (IIOM within 30 days)

The process is expeditious and watchfully administered in order to insure the utmost in integrity. Outsourcers are required to recertify every year (steps 2 & 3) with a full reassessment every three. All assessors received training and continual oversight insuring consist assessments.

## Conclusion

Certification/Qualifications are a leading means of being recognized (for outsourcers) and an expedient way to narrow the field of service providers. Simply being able to deliver a quality product is no guarantee for success. At its core a company must not only be viable but have the range of business dynamics in use. GSC™ in combination with other leading 'delivery' qualifications heightens the buying public's awareness of credible organizations. Size and prominence are now placed on a level playing field with capable and viable companies that have smaller stature.

## Sterilized Case Study Examples

- Major manufacturing company in Europe seeks out qualified outsourcer to engineer a bill-of-materials system. Middle Eastern outsourcer chosen after 8 months and €175,000 company files for bankruptcy. Outsourcer was a CMMi Level 3 company.
- Leading bank in South Africa contracts with Certellus Corporation to review outsourcer candidates from a list already prepared by client. Of the 20 candidates of interest only 3 were fiscally and operationally viable. The project had a total loss exposure of just over R110,000.
- Mobile telephone operator in the United States contact Certellus to review and critique the final list of potential outsource providers (all onshore). The top five candidates were financially viable and capable of deliver the service required. Upon closer examination the leading candidate had a history of excessive management turnover and insufficient staffing to accommodate the volume of contracts being entertained. An alternative vendor was chosen and the leading candidate has subsequently been acquired by a larger competitor.
- Major offshore outsourcer engaged an independent assessment and review. The primary purpose was to obtain an independent and objective critique of their organization and operations. As a result of this review the outsourcer was able to increase sales leads by 25% and a closure rate increase of over 14%. Client retention is at 94% with return clients at 97%.
- Startup call center in the Phillipines sought guidance in establishing their service offering. Through a business consulting engagement their core plans were fine tuned to address foreign markets. In the first year they engaged clients in Japan, United States and Europe. Nearly 350 staff are now employed and servicing these regional clients.