



5 Ways a CIO Can Get The Most Out Of Vendor Management

Part of a series on Vendor Management



Why care about Vendor Management?

Your portfolio of vendors is an integral part of your organisation's IT strategy as a whole. More and more of IT budget is spent on third parties in the changing landscape of technology. In some cases, this can be up to 80% of spend. Vendor Management is no longer about dealing with vendors case-by-case. Your management and interaction with vendors determines a major cost that contributes to your bottom line, meaning that it has never been more important that your supplier relationship managers stay strategically aligned to the business. Crafting a vendor strategy and managing it effectively has been shown to innovate and optimise cost, while allowing Supplier Relationship Management (SRM) to provide the best service to the business.

In partnership with



1. Obtain full visibility over your vendor portfolio

In order to truly understand the value that your vendors provide both individually and collectively, you need to have a full and granular view of all the vendors on your estate. Keeping and updating a centralised database of vendors is the best way that you, the IT business leader, can obtain a quick snapshot. You can pull relevant metrics on SLAs, contract values, contractual obligations and performance indicators, and most of the work to maintain this database can be alleviated using industry-leading technology solutions (more on this later).

Your organisation may hold supplier performance reviews, but how well-informed are these reviews? How documented and actionable are the decisions made? How much oversight does senior management have? To stay in control, ensure that performance reviews are based on robust metrics, that there is a solid reporting framework in place, and that actions are followed up on. At a minimum, these metrics should include:

- ▶ Vendor spend by vendor, by period, by cost pool.
- ▶ Vendor spend variance by vendor, by period.
- ▶ Total vendor spend by vendor and vendor type, by period.
- ▶ Vendor spend and number of transactions without PO (\$/%), by period, by account, by cost centre.
- ▶ Primary contract terms for every vendor contract.



2. Build a function that is 'fit for purpose'

Your vendors should be managed by a team with clear-cut roles for supplier relationship management, contract management and license management. This team should always be in the loop with high level objectives so that they keep the requirements of business units at the heart of what they do. Introducing automation into this function means they can begin acting more like

strategy consultants to the business rather than custodians of data. This can be achieved in a number of ways, from building an internal dedicated team accountable for this or engaging a specialist organisation to build you an internal capability or via a reputable managed service provider. Here's a list of functions we suggest need to be fulfilled on a regular basis:

CIO & Senior IT Leadership

Make Fact-Based Decisions About Vendor Selection & Spend

- ▶ Understand how much is spent on top vendors to drive accountability across teams.
- ▶ Investigate variances/trends to ensure spend is aligned to IT strategy
- ▶ Understand vendor performance and opportunities for consolidation.

App & Service Owner

Manage & Rationalize Application Portfolio for Value

- ▶ Identify contracts to consolidate or non-renew related to redundant apps or apps being retired.
- ▶ Manage vendor service performance based on contract SLAs.
- ▶ Analyse and manage vendor spend and invoicing against contracted spend vendor planned PO spend vs. actual invoiced spend.

Vendor Manager

Manage Vendor Contracts & Relationships Across Portfolio

- ▶ Optimize vendor portfolio by identifying non-strategic vendors for consolidation.
- ▶ Avoid over or underspending and meet agreed upon minimum spend commitments.
- ▶ Track and manage outsourced resource utilization and cost based on ARC/RRC terms. Renegotiate invoice pricing accordingly.
- ▶ Prepare for contract renewals & expirations and strengthen contract negotiations.

3. Hold your key people accountable

In order to keep track of the decisions made within your organisation, you need to introduce robust internal governance frameworks over your service operations, including SRM and service delivery.

Ideally, each contract should have an owner who is wholly responsible for the service delivery, renewal and budget for a contract. There should be escalation procedures built into your contracts processes to ensure phases are completed to schedule.

Additionally, you need to ensure that data is made available so that contract owners have visibility not only of the contract terms and renewal cycle, but also into the performance and use of the assets and services each contract relates to within your IT department. Traditionally there has been a wide gap between procurement or contract management and the IT department's use of assets and services to deliver value to the business. This gap has resulted in assets being decommissioned without support contracts being sunset, over or under subscription enterprise-level SLA conditions, and poor visibility of key information going into renewal negotiations of key contracts.

4. Establish multiple lines of communication that foster real-time collaboration

Forging cooperative and open relationships with your vendors is mutually beneficial. It bolsters their capabilities to innovate, reduce risk factors, reduce pricing, and improve quality. Rather than just interacting with an account manager, you need to have multiple supplier contacts if your two businesses are to maintain a successful partnership. Constructing Key Influence Maps and escalation paths make contract negotiations far more efficient and strengthen the relationship moving forward.

5. Stop relying on spreadsheets and start using the best tools

The vendor management function today is being asked to oversee a host of new IT services, wrangle niche and nascent suppliers, and meet increasing performance expectations, with little increase – or worse, a decline – in funding. This results in an ever-increasing need for purpose-built tools that automate and informs the vendor management function in its growing complexity.

In many IT organisations, data for internal processes is still held within spreadsheets and decisions are transacted via email. This is a poor way to keep track of data or audit trails. Spreadsheets can produce disparities across versions, provide limited granularity, and make a supplier relationship manager's role more like that of an administrator rather than a strategic consultant to the business.

Vendor management platform Apptio Vendor Insights™ gives you the ability to align all of your PO, contract and financial data with your supplier data in a centralised system and provides dashboards to produce real-time snapshots of your vendor portfolio. Furthermore, managing your contracts with automation and efficiency can be made easy by contract lifecycle management platforms with automated workflow functionality.

The benefits of good tooling are vast and have been demonstrated numerous times such as in this quote by Nationwide Building Society:

“ We were able to realize immediate benefits using Vendor Insights, reducing the workload of our supplier management team and making vendor spend and contract details easily accessible without needing to involve our finance or procurement teams. Vendor Insights has helped us uncover cost saving opportunities in a short period of time. ”

– Sasha Dunford, Senior Manager, TBM Office, Nationwide Building Society

Get in Touch

If you would like to learn more about Apptio Vendor Insights™, email: c-czimmer@apptio.com

If you would like to learn more about StrataPrime's unique Technology Cost Optimisation solutions, including TBM+ and TBMAaS: Visit www.strataprim.com or email: tbm@strataprim.com



UK & Europe

1 Primrose Street
London
EC2A 2EX

CANADA

92 Caplan Ave, Suite 620
Barrie, Ontario
L4N 9J2

USA

The Falchi Building
31-00 47th Avenue
Long Island City, New York
11101

tbm@strataprime.com
Tel: +1 647 693 7656

