



Vendor Relationship
Management
Unlocking value from
your outsourcing vendors



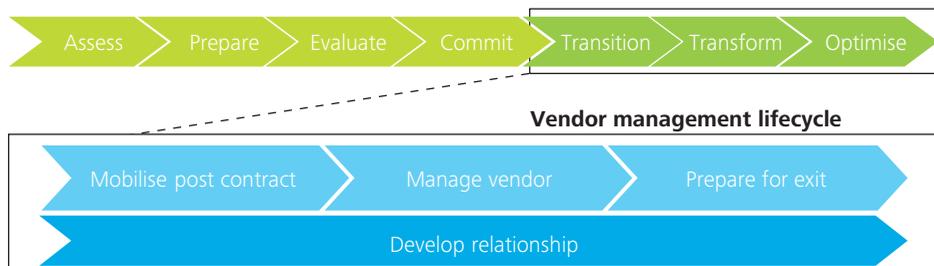
Introduction

Vendor management (VM) has become an integral part of the IT organisation. It is becoming more important than ever for clients to consider how they extract maximum value from outsourcing arrangement, particularly in the context of multi-sourcing environments. Outsourcing provides opportunities to leverage external expertise and scale to provide quality services at reduced cost enabling internal resources to be more focused on organisation specific activities, appropriate to their knowledge and skill. However, without effective Vendor Relationship Management, organisations are at risk of services not delivering what the business requires and at a premium cost to the business.

Aims & Objectives

Vendor Relationship Management is the discipline of managing vendors to extract maximum possible value from a contractual arrangement through governance and relationship building. The proactive management of ongoing commercial relationships ensures that any technical or contractual loopholes are closed and that commercial conversations are escalated to the appropriate level to ensure prompt resolution of issues.

Vendor Management focuses on the transition, transform and optimise phase of the Deloitte sourcing methodology:



Industry Trends

Today Outsourcing deals are entering 3rd and 4th generation, with more demanding clients and vendors bringing more sophisticated services and offers.

Companies are further seeking to set up complex multi-sourcing models across a number of service providers, leading to an awareness for:

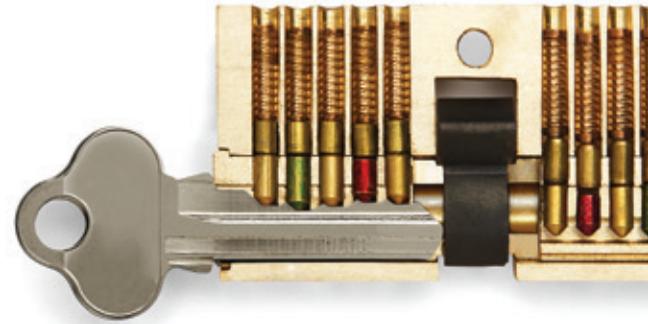
- Moving into emerging activities of Vendor Management such as multivendor integration and vendor risk management
- Developing service provider relationships as an essential and mandatory investment leading to a strong partnership
- Moving client skills and processes towards managing vendors on operational, managerial and strategic levels, rather than focusing on execution
- Keeping the contract alive by managing it on a daily basis rather than monitoring it & periodically amending it

Scope of VRM activities

The objectives of vendor relationship management is to develop contract and commercial tools, models, systems and processes to manage vendors and to ensure the proper investment into the relationship happens.

Examples of vendor relationship management activities:

Relationship development	<ul style="list-style-type: none">• Developing a partnership philosophy within the overall outsourcing arrangement• Completing relationship health-checks to determine misalignments
Contract Management	<ul style="list-style-type: none">• Advising on contract interpretation• Ensuring obligations and deliverables are managed, tracked and reported• Managing contract changes
Governance	<ul style="list-style-type: none">• Managing governance forums, calendars and follow up actions• Providing input on strategy generation or capacity management processes
Finance and Commercial	<ul style="list-style-type: none">• Ensuring financial control through finance & invoicing management• Ensuring the service credit mechanisms drive correct behaviours
Multivendor Integration	<ul style="list-style-type: none">• Developing & maintaining cross-service provider standards & procedures• Managing & driving service integration collaboration
Issue & Dispute Management	<ul style="list-style-type: none">• Ensuring disputes are managed tracked and documented• Managing contract issues through robust implementation of frameworks



Performance Management	<ul style="list-style-type: none">• Managing vendor performance through SLA management, monitoring and trending• Providing dashboard reporting
Request Management	<ul style="list-style-type: none">• Reviewing new service requests & analysing against contract• Integration of approved service requests into VM processes
Transition & Transformation Oversight	<ul style="list-style-type: none">• Overseeing transition & transformation planning, monitoring, reporting and change management• Driving vendor account behaviours
Vendor Risk Management	<ul style="list-style-type: none">• Evaluation of vendor risk management frameworks• Performing risk management analysis of vendors
Document Management	<ul style="list-style-type: none">• Ensuring important documents and contractual artefacts are managed• Setting up storage repositories• Developing process documents

How can we help you?

Deloitte has built up a vendor management optimization approach, supported by strong capabilities, tools and methods to assist clients ensuring the optimal vendor management environment is established to sustain complex IT sourcing arrangements. Based on our proven methodology we can design, build and implement an effective vendor management organisation. With its cross functional expertise, Deloitte can develop and improve the various key areas of vendor management such as contract management, commercial management, governance, vendor integration, risk management, and other functions of VM.

Supporting our clients to set up their vendor management organisation

The VM proposition is based on concrete tools and methods. These include:

Contract Assessment



We have robust tooling, methodologies & skills that rapidly assess existing contracts. This helps to identify improvement areas for renegotiations or awareness for contract managers.

Relationship health check



Our health check approach identifies the relationship improvements needed to unlock maximum partnership value using Deloitte's skilled organisation and change specialists.

Maturity assessment



Conduct an assessment of the current state vendor management organisation followed by deployment of maturity assessment tools to determine the gap between current operation and good practice.

Operating models



Development and implementation of good practice vendor management operating models ensuring the correct activities are carried to manage vendors and unlock value.

Why Deloitte?

We can assist our clients in successfully managing vendor relationships, through a consistent methodical and robust approach.

Independence - we do not offer outsourced services and therefore provide clients with an independent, informed view of the outsourcing marketplace

Breadth of capability – Deloitte is unique in bringing together all the diverse skills needed to support a major outsourcing programme

Full Life Cycle View - Deloitte's tools and accelerators can guide clients through every stage of the outsourcing lifecycle.

Global Experience – Deloitte has an outstanding track record of advising organisations at all stages of sourcing deals, ranging in value from a few til €m to €3bn.



Deloitte worked with Barclays in successfully setting up a VM office, including an operating model, key processes and governance.



Deloitte carried out a VM maturity assessment and set up a VM office with Arla, a major consumer goods organisation in Denmark.

Confidential

Deloitte assisted an International Top 5 Fortune 500 Insurer, with vendor relationship management.

Confidential

Deloitte successfully delivered a Vendor Management maturity assessment with a global insurer in the UK.

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Deloitte Consulting – turning ideas into reality

Deloitte Consulting focuses on developing and improving the efficiency of the clients' organisation, core processes, financial management and IT to help realise their strategic objectives. We know all the ins and outs of the public and private sectors and combine our professional competencies with the skill in managing, steering and implementing projects in complex environments. Be it as advisers or process managers from idea stage to implementation.

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