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W H I T E P A P E R

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# Strategic approach

Vendor Management and Governance

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The basic concept of Vendor Management is to "Manage your vendors or they'll end up managing you!"

Summary - A bold change of initiatives and an efficient use of database are the keys to successful Vendor Management. This offers a complete view of vendor activity and performance that is crucial for an efficient and cost-effective project. It helps in delivering a flexible, cohesive platform for enabling, engaging, and evaluating your suppliers. Though there are no permanent solution/fixes for enhancing performance, one can take specific steps to maximize effectiveness.

Often, we draw upon our experience to handle basic problems in vendor management. This white paper lists these basic problems which an organization might face if it outsources work to vendors. Once this paper is through, you can prepare a comprehensive checklist that will help you in getting the best out of your vendors.

#### Vendor selection

The important thing is to figure out which vendors must be 'managed,' and which ones do not need 'management.' This might sound like an absurdity, but there is some truth to it. For instance, companies might monitor purveyors of office supplies for best prices and basic service requirements, but a deeper relationship is essential for strategic vendors who will deliver eLearning modules or content, on time and at the right cost.

A crucial step is to choose the right vendor. Begin with shortlisting vendors who have worked on similar projects and have a good track record.

Finding talented and efficient vendors at a reasonable cost can be challenging.

The implementation process begins long before the vendor is selected. The specifications should include the optimum rollout approach, with key dates and implementation success criteria. The entire process, from specification development to implementation, must be handled along formal project management lines. From the outset, there must be a Project Board that will undertake to do vendor evaluation. This Project Board should also have overall responsibility for the implementation of the project, otherwise all the knowledge gained-and decisions made-during the vendor selection could well be lost.

The Project Board should consist of perhaps no more than five managers who have the most to gain and, therefore, will take a keen interest in the project. Almost certainly, there should be representation from Personnel/Human Resources.

Once you have found several technology-based vendors that interest you, gather as much basic information about them as you can. Visit their Web site, interact with them and review their work.

Once an initial short list of perhaps four to six vendors has been developed, the first task is to compare the different approaches from these vendors and finalizing on the best possible option. A mandatory criteria is the budget and the confidence the vendor has in meeting implementation dates. What you should be looking for is the way the vendor communicates an understanding of your requirements and how these requirements will be met, as well as the way in which the vendor team members deal with questions from the Board. One of the selection criteria can be do you feel comfortable with the vendor team?

Some other key considerations are:

- o Experience: How many projects have they completed that are similar in size, scope, or content to yours?
- o Strength of Company: Do they have the financial resources and staff size to complete your project and maintain it in the future?
- o Quality of work: Have they received professional awards, published articles in trade magazines, or otherwise been recognized for their work?
- o Resources: Does the vendor have full-time, on-site staff for all critical project tasks?

According to Sue Welch, CEO of Trade Stone Software, a developer of global sourcing and supplies systems in Gloucester, MA, "Wherever possible, provide value to your vendors when you are asking them to adapt to your business needs and requirements," she advises. "For instance, if you want electronic invoicing, offer incentives such as prompt payment or instantaneous audit that can auto-correct invoice discrepancies before submission."

o Determine how well a vendor will solve problems on your project. This is never easy. After all, any vendor will tell you it has excellent problem-solving skills. Here are a few questions to ask prospective vendors that will help to let you know how well they can really deal with problems:

1. What are the problems that you have come across while working on similar projects in the past?
2. How did you deal with those problems?
3. Did you manage to finish your project on time?
4. Were you able to complete your project within the sanctioned budget?

o Value addition -- Look for vendors who think beyond their assignments and can add more value to their projects. What you don't want is someone doing what they're told to do, just because it's a part of the Media standards.

o Develop a Triumph Relationship with the Vendor

We don't want to wield a big stick to beat up vendors, but we want to create relationships that allow both parties to work successfully in the long term. Creating a triumph relationship with the vendor is mandatory for good results.

Here are some tips for creating a positive relationship with vendors:

Tip #1: Proposal Process

- o The Request for a Proposal is detailed in its specifications.
- o Along with prices, proposals specify the quantity and quality of the media, interactivity, and content.
- o A winning solution is judged on the quality of the firm's work, strength of the company, dedication to customer service, price, and quality of the proposal, itself.

Tip #2: Only one Point of Contact:

There should be only one point of contact who coordinates between you and the vendor - the Project Manager/Project Lead. Though each project has assigned team members, miscommunication becomes likely when several individuals are talking with different levels of each organization. For example, if the client is experiencing a technical glitch or bug, it might make sense for the client's technical support personnel to speak directly with the vendor's most advanced programmer. However, the project manager from the client and vendor should participate in this meeting or phone call to make sure that prior commitments or expectations are understood, action items agreed upon, and timetables are set.

This will help in filtering right and clear information.

Tip #3: Regular evaluation through progress meetings:

Following this simple checklist will help improve teamwork on a project. The vendor should be reviewed at regular intervals so that all the problems are solved at the initial stage. One can meet once or twice a week on a project at the given time with the vendor and discuss the project status. It can also include regular phone calls with the vendor and client. During these meetings, one can review the projects and make changes if required. Also discuss the next step and an update on the schedule. In-between, one can also make frequent calls to the vendor to re-check if the vendor needs any information and that everything is on schedule. This keeps the project moving smoothly.

Tip #4: Updated Project Report:

Regular updating of the project schedule should be maintained. The report can be a simple chart that is frequently updated so that one is aware of the missed deadlines or early deadlines. This will allow you to plan at an early stage so as to overcome delays. As you act as a mediator between the client and the vendor, you should add a buffer before quoting a timeline to the client.

Tip #5: Try and make all revisions on the prototype:

The prototype is a working module that includes the major sections of each step in your project. We should try and work with this prototype, get the initial approvals and refine the look, the feel, and the usability of the interface. Examine, test, change, and ultimately approve the colors, fonts, menu structure, location of the navigation buttons, and interface metaphors. The interface should be approved and locked-in before a significant part of the script is completed so the writers will have an accurate sense of screen space while allocating text and specifying graphics.

Tip #6: Make all content revisions in the script:

After the prototype, the next major step from the production team is the script or storyboard. It is very important to review the words, pictures, and sounds that will appear in the final program. Many clients give only a cursory glance at this document and then end up requesting substantial changes after the content has been implemented. It is very time-consuming and expensive to change content after it is implemented in the program. Unless there are obvious typos or mistakes in grammar, revisions to content after it is implemented should be avoided.

o Improved Vendor Performance -- Transparency of the project between you and the vendor is very crucial. It also helps you discover how to create and leverage opportunities to improve vendor performance.

- o Get what you pay for - It is very important that the vendor delivers the product/quality that was agreed on and is your requirement. The above tip helps you achieve it.
- o Just to remind you -- never accept vendors at face value. Analyze and test them at your level to build a positive business relationship.
- o Also recognize that while you expect value for the money you spend with a vendor, the vendor is also in the business to make a profit and has to cover overhead expenses that may not seem obvious to you or your staff. Always let your vendor know you are interested in a mutually profitable relationship.
- o Use your vendor representatives as a resource for information and advice. However, be respectful of the time the vendor's representative spends with you. Remember that time is money for both of you.
- o Listen to your vendors -- Companies may be wasting their energy if they put specific segments of their business out to bid. Instead, Verticalnet's Habig suggested that better strategic results are achievable when companies let their vendors bid on the parts of their business that they want the most.

#### Highlights of Vendor Management:

- o Helps streamline, simplify and standardize your workforce processes
- o Allows you to increase vendor quality, and helps you make better-informed workforce decisions
- o Enhances efficiency and helps you manage risk
- o Reduces costs by helping you lower vendor rates, eliminate maverick spending and manage headcount to budget
- o Lets you focus on strategic human resource functions without the headache of managing E-learning modules/application

Vendor Management enables you to maintain a preferred list of clients, vendors, and suppliers to ensure successful relationships. A well-orchestrated strategy of cost management, working-capital management, and technology-driven productivity will make your