

# Total Vendor Management

*Get What You Pay For*



Tired of worrying about your vendors' performance? Concerned about contractual disagreements and products/services that don't measure up to standards? This workshop will show you how to control your vendors, thereby ensuring that you get what you pay for. You'll learn techniques to establish and maintain a meaningful working relationship with your key vendors. And you'll discover how to create and utilize leverage that ensures vendor performance.

## Benefits

- Identify which vendors to manage
- Enhance relationships with vendors
- Reduce the risk of vendor nonperformance
- Learn to use Key Performance Indicators (KPIs)
- Find out how to implement an effective vendor management system

## Workshop Outline

Course Length: 2 Days

### The Problem

#### Customer Environment

1. Less Experience
2. Sense of Urgency
3. Lack of Incentives
4. Internal Politics
5. Relationships
6. Processes Not Enforced
7. Lost Business Opportunities
8. Bad Contracts/No Contracts
9. Lack of Time and Resources

#### Vendor Environment

1. Full Time
2. Highly Trained
3. Very Motivated
4. Information Advantage
5. Team Advantage
6. Strong Relationships
7. Superior Product and Service Knowledge

#### Relationship Dynamics

1. Customer Objectives
2. Vendor Objectives

### The Solution

#### Total Vendor Management

1. Governance
2. Relationship Management
3. Managed Acquisitions

### The Benefits

1. Reduce Risk
2. Gain Flexibility
3. Resolve Problems Early
4. Save Bottom-Line Dollars
5. Improve Vendor Performance
6. Gain Efficiencies
7. Achieve Strategic Goals
8. Obtain Competitive Advantages
9. Understand and Control Spending
10. Get What You Pay For

### Total Vendor Management

#### Governance

1. Form Team
  - a. Why?
  - b. Who?
  - c. Structure
  - d. Responsibilities
2. Conduct Evaluation
  - a. Identify standards
    - Policies—**Five** areas for improvement, including:
      - Onsite vendors
      - Ethical behavior
    - Procedures—**Four** key topics, including:
      - Change control
      - Incident escalation

- a. Documents—**Six** categories of templates, including:
    - Deficiency letters
    - Relationship agreement
  - b. Conduct assessments
  - c. Determine compliance
    - Customer
    - Vendor
3. Improve Position
    - a. Identify best practices
    - b. Conduct gap analysis
    - c. Strive for best practices
      - Create new standards
      - Revise existing standards
    - d. Obtain management approval
  4. Implement Standards
    - a. Conduct internal training— an effective six-step process
    - b. Notify vendors—**Six** key components
  5. Monitor Compliance
    - a. Vendors'
    - b. Customer's
    - c. Document results
      - Compliance
      - Noncompliance
    - d. Enforce rights and implement remedies

## Relationship Management

1. Form Team
  - a. Why?
  - b. Who?
  - c. Structure
  - d. Responsibilities
2. Classify Vendors
  - a. What?
    - Determine vendors' impact
  - b. Why?
    - Which vendors require management?
    - Allocate customer resources effectively
  - c. How?
    - One-dimensional
    - Two-dimensional
    - Multidimensional
3. Improve Relationships
  - a. Assess current status—**Five things we must do, including:**
    - Outline contractual commitments
    - Conduct satisfaction survey
    - Identify areas for improvements
  - b. Determine future needs
    - This vendor
    - This category of vendor
  - c. Identify relationship desired
    - Operational
    - Business
    - Strategic
  - d. Evaluate leverage
  - e. Create plan
  - f. Implement plan
4. Develop KPIs
  - a. What are they?
  - b. How are they used?—**Six major ways, including:**
    - Eliminate/reduce excuses
    - Grade and compare vendors
  - c. Create KPI index model—**Five short steps**
5. Assign VRMs
  - a. VRM roles and responsibilities—**Eight significant items, including:**
    - Develops relationships at highest levels
    - Informs vendor of its performance
    - Conducts periodic stewardship meetings

- b. VRM attributes—**Nine critical attributes, including:**
  - Analytical
  - Diplomatic
  - Familiar with vendors' industry
- c. VRM key relationships
  - Internal
  - External
- d. Success criteria—**Six key factors, including:**
  - Proven management skills
  - Experience-based assignments
- e. Stewardship meetings—**Seven components to consider, including:**
  - Purpose
  - Frequency
  - Suggested agenda
6. Monitor Relationships
  - a. Establish monitoring infrastructure
  - b. Assign responsibilities
    - KPIs
    - Governance
    - Reclassification
    - Contract management
  - c. Audit improvement plan results
  - d. Ensure vendor accountability
  - e. Relationship breakdowns—**Seven important issues, including:**
    - Characteristics of breakdowns
    - Prevention
    - Resolution

## Managed Acquisition Process

1. Form Team
  - a. Assemble appropriate stakeholders
  - b. Assign roles and responsibilities
  - c. Establish operating procedures
2. Establish Decision Criteria
  - a. Decide results or resources
  - b. Collect objectives
  - c. Issue request for information
3. Determine Relationship Architecture
  - a. Strategic partnership
  - b. Tactical alliance
  - c. Managed competition
4. Gain Management Approval
  - a. Prioritize objectives
    - Rate individually
    - Rank as a team
  - b. Prepare position paper

5. Develop Contract
  - a. Customer's contract
  - b. Use to qualify vendors
6. Issue Request for Proposal
  - a. Four main sections
  - b. Control the process
  - c. Binding commitments
7. Conduct Bidders' Conference
  - a. Increase leverage
  - b. Answer questions
  - c. Address critical issues
  - d. Create a level playing field
  - e. Review request for proposal
8. Evaluate Potential Vendors
  - a. Rate responses
  - b. Qualify vendors
9. Implement the ZOC
  - a. Competitive negotiations
  - b. Vendor evaluation continues
  - c. Best deal on the table at all times
  - d. Vendor selection at any time
10. Manage the Contract
  - a. What?
    - Document ongoing relationship
    - Monitor compliance
    - Enforce rights and implement remedies
    - Manage key contract components—**Six elements to monitor**
  - b. Why?—**Six critical reasons, including:**
    - Reduce risk
    - Influence future decisions
    - Encourage vendor accountability
  - c. Who?
    - Contract manager
    - Project manager
    - Others as needed

## Implementation

1. Sell TVM Internally
2. Gain Management Approval
3. Implement in Steps
4. Improve Constantly
5. Document and Announce Successes

## Summary

**Best Practices—Fourteen essential factors, including:**

1. Executive Sponsorship
2. Cross-Functional Teams
3. Organizational Alignment and Support