



Suppliers = ROI

Three Keys to Successful Vendor Management

Most IT organizations today spend tens of millions of dollars on IT assets and find it difficult to clearly define the return on this investment. The investment itself may be staggering, however the amount of time and effort that is spent managing the suppliers of these assets is overwhelming. Either the organizations have too many vendors and struggle to streamline their program, or their large, strategic vendors are managing them. So what is the ROI of vendor management in the organization? What are some key approaches to help gain the most from the IT assets and the vendors that supply them?

First an organization must understand and clearly define their objectives for vendor management and source the program with a highly qualified Vendor Manager who understands the company's strategic business objectives. Procurement is a valuable function in the acquisition process but it is not Vendor Management. In order to engage the appropriate vendors and make the right purchase decisions for the business, it is imperative that the Vendor Manager understand the organization's business priorities for the next 1 to 3 years and the technology required to meet these objectives. What technology will lead to increased productivity, efficiency and competitive advantage? Which suppliers can help to achieve these goals?

It is equally important for the Vendor Manager to understand their strategic vendors' organizations – their structure, business objectives, how they operate and how the account teams are compensated. Many organizations are managed by their strategic vendors rather than the other way around. The vendors assign large account teams who network and navigate through the customer organization. Often times the account teams know more about what is going on in the customer organization than the customers themselves. According to Andy Kyte, Gartner Vice President and Fellow, vendor management is a critical business discipline and should not be taken lightly. Organizations must employ a Vendor Manager who can go toe to toe with a powerful account manager. The Vendor Manager needs to have deep knowledge of the vendor organization as well as the objectives of the account team to be able to negotiate and work with the strategic vendor to their best advantage.

The next step is to ensure that the Vendor Manager does not enter into battle unarmed. The Vendor Manager must have accurate information about the assets that are in use today as well as those that are needed in the future. Are the assets deployed? Are software licenses underutilized? Is the company in compliance? Is the appropriate level of support in place? Are business problems being solved through the use of these assets? This is information that an effective IT Asset Management program will provide and is essential to the effectiveness of Vendor Management. If an accurate baseline of hardware and software assets does not exist, how will the Vendor Manager have the knowledge and leverage to negotiate major contracts with their vendors? More often than not, organizations overspend and purchase more software than they need because they do not have a clear understanding of the licenses they have deployed and are using. Additionally, they pay maintenance on hardware and software that are not in use. Knowledge is power and without it, an organization is placing itself in a disadvantageous negotiating position.

The third step to successful vendor management is to evaluate vendors versus the objectives that have been established and narrow the field to those that measure up. There will always be a need for suppliers of technology that simply must deliver and support their products for a specific purpose. However, there is a greater need for strategic vendors who approach the relationship with their customers as partners and trusted advisors. These vendors must invest time in understanding their customer's business objectives just as the customer must be in tune with that of the vendors. Strategic vendors are the primary targets of the vendor management effort because they will become integral with the success of the customer's business and provide the greatest ROI.



In summary, here are three key approaches to successful Vendor Management: 1) employ a Vendor Manager who understands their organization's strategic business objectives and has in-depth knowledge of the vendor organization, 2) ensure that a reliable IT Asset Management program is in place to equip the Vendor Manager with accurate data on hardware and software to enable a better negotiating position and more favorable contracts and 3) evaluate how vendors are performing versus objectives and make changes to the preferred vendor list as appropriate. Finally, if both organizations, the customer and vendor, understand each others' objectives and work together to reach them, this will lead to a more productive and favorable customer-vendor relationship.

Steffani Lomax is Vice President of Software Success Partners

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