

Vendor Management  
Governance Tools

**Hans G. Olsen**

**September 4<sup>th</sup> 2013**



# Agenda

Governance vs. Sourcing

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The case for Governance

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Governance tools overview

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Implementation learnings

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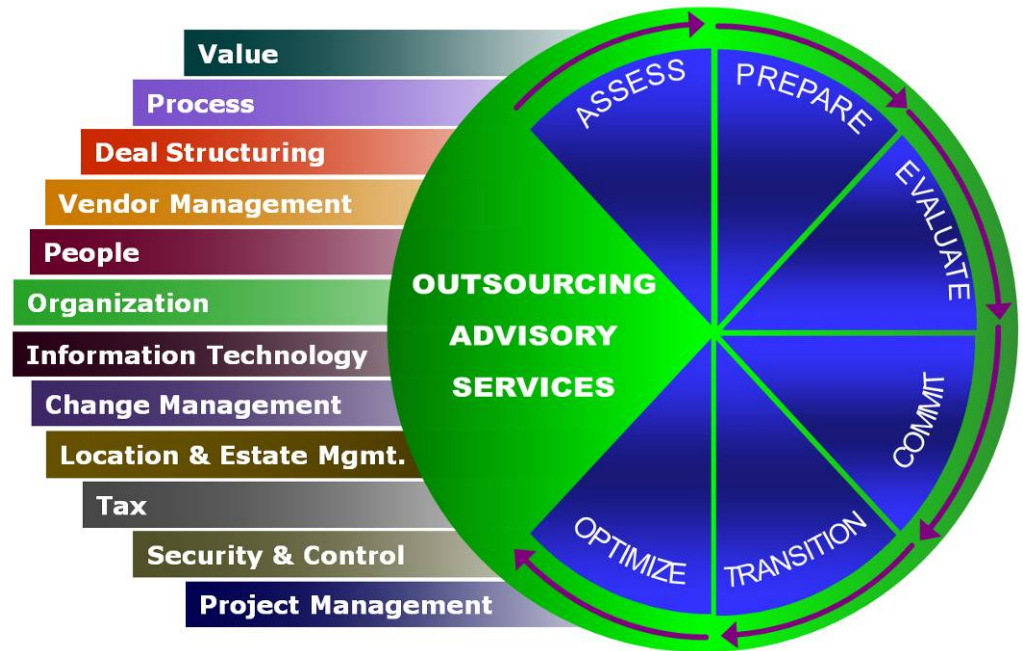
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## Governance vs. Sourcing

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# Why is Governance different from Sourcing?

- 90% of sourcing effort is spent on executing Tender Projects.
- It's (almost) all about savings.
- Identified savings potential invariably (?) results in a Tender Project.
- Methods are highly focused on the Tender Project.
- Most methodologies contain guides on how to set up governance structures, but it's part of the Tender Project.



Deloitte Outsourcing Method

When the Tender Project closes, interest fades -never to return.

**Until the s... hits the fan!**

# Key governance components –Deloitte Vendor Management Office

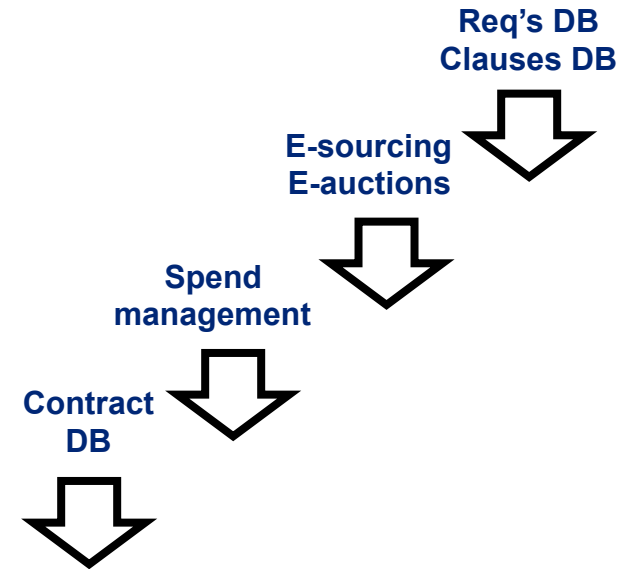
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Client insights

*“ ... Relationships are built upon a foundation of trust and developed through structure and collaboration ...” – Large Financial Services Client*

# IT-support for Sourcing

- Most Sourcing Tools begin with a contract archive adding bells and whistles along the way.
- Moving up the food chain means looking through spend data for opportunities for Tender Projects.
- Further up is improved support for the Tender Project, RFX and e-auction tools.
- Top of the food chain is functionality enabling reuse of requirements and contract clauses.



Even when addressing Contract Management and Governance, it's mainly about Tendering and Compliance.

SAP / Ariba CLM is a good example:

Automate contract creation and collaboration to accelerate time to contract

Lower legal, financial, and regulatory risk through standardized language and reporting

Protect your company's bottom line

Realize full savings and revenue through contract visibility and awareness

Ensure more control and better compliance throughout the contract lifecycle

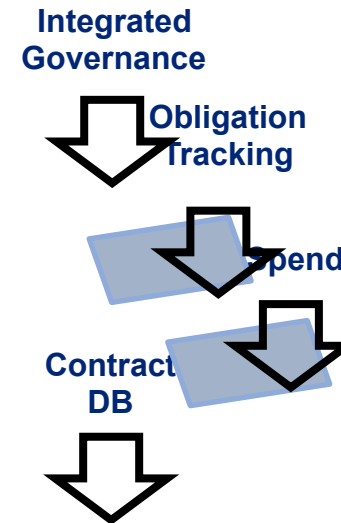


# IT-support for Governance

Managing contracts in the run state requires a materially different focus from the Tender Project.

This translates to branching off in terms of tool support:

- Contract and Spend administration are shared pre-req's.
- Structured obligation tracking and monitoring is typically the next step, ensuring that
  - a) specific deliveries and obligations are met.
  - b) reporting key elements of the specific agreement.
- Integrating across Vendor deliveries and looking across the value chain is next.



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## The case for Governance

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## The case for improving Governance

- Outsourcing industry is mature, particularly within IT domain.
- However, Outsourcing governance is still maturing and Companies still have significant difficulty harvesting value from their contracts.

*“Lack of management is central to the problems with multiple sourcing. 84% of companies do not have what they regard as a mature governance model.”*

Financial Times

*“63% of companies surveyed believe they lose an average of 25% of contract value due to poor governance.”*

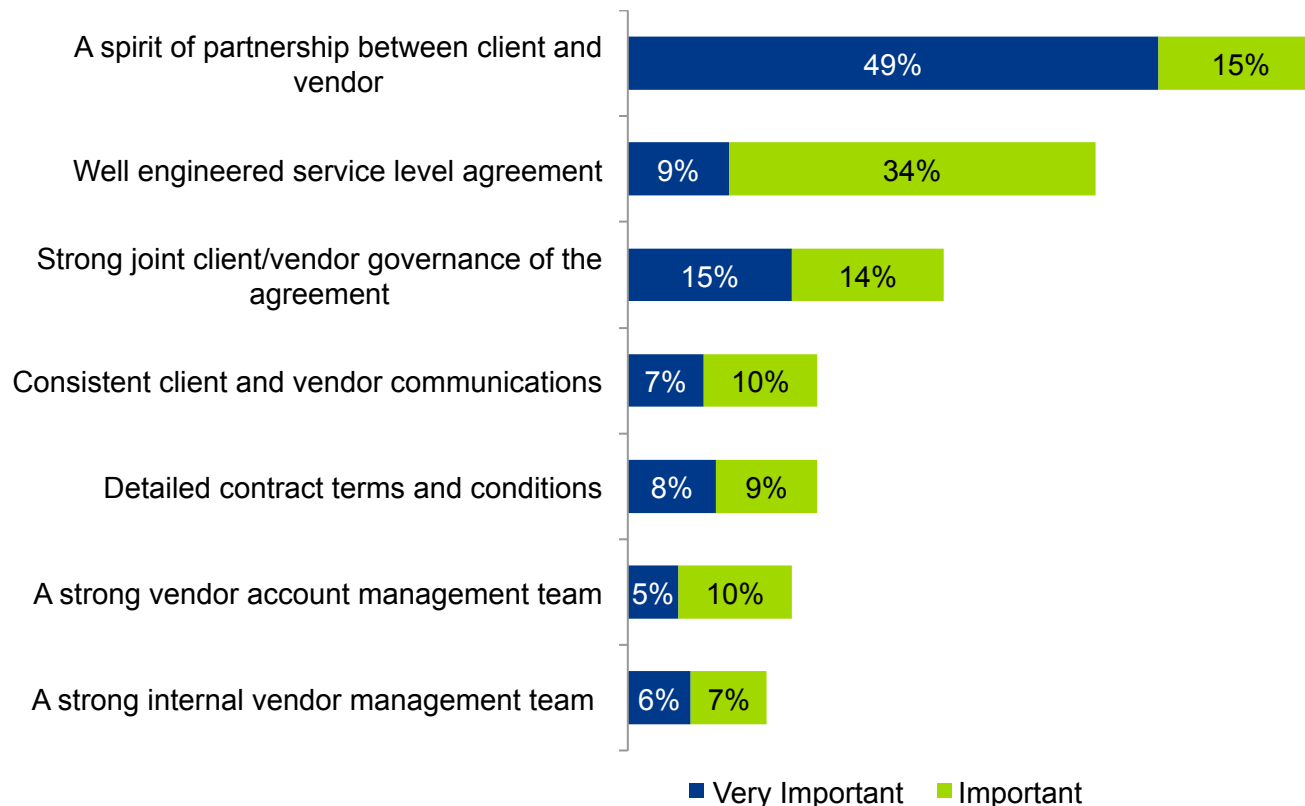
International  
Association of  
Outsourcing  
Professionals

*“Companies report up to 30% of the expected value of their transaction is lost through ineffective governance.”*

ISG  
Research Study

*The Contract will guard you against failure.  
Governance will make you successful.*

# What factors/components do you feel are most critical to a successful outsourcing relationship?

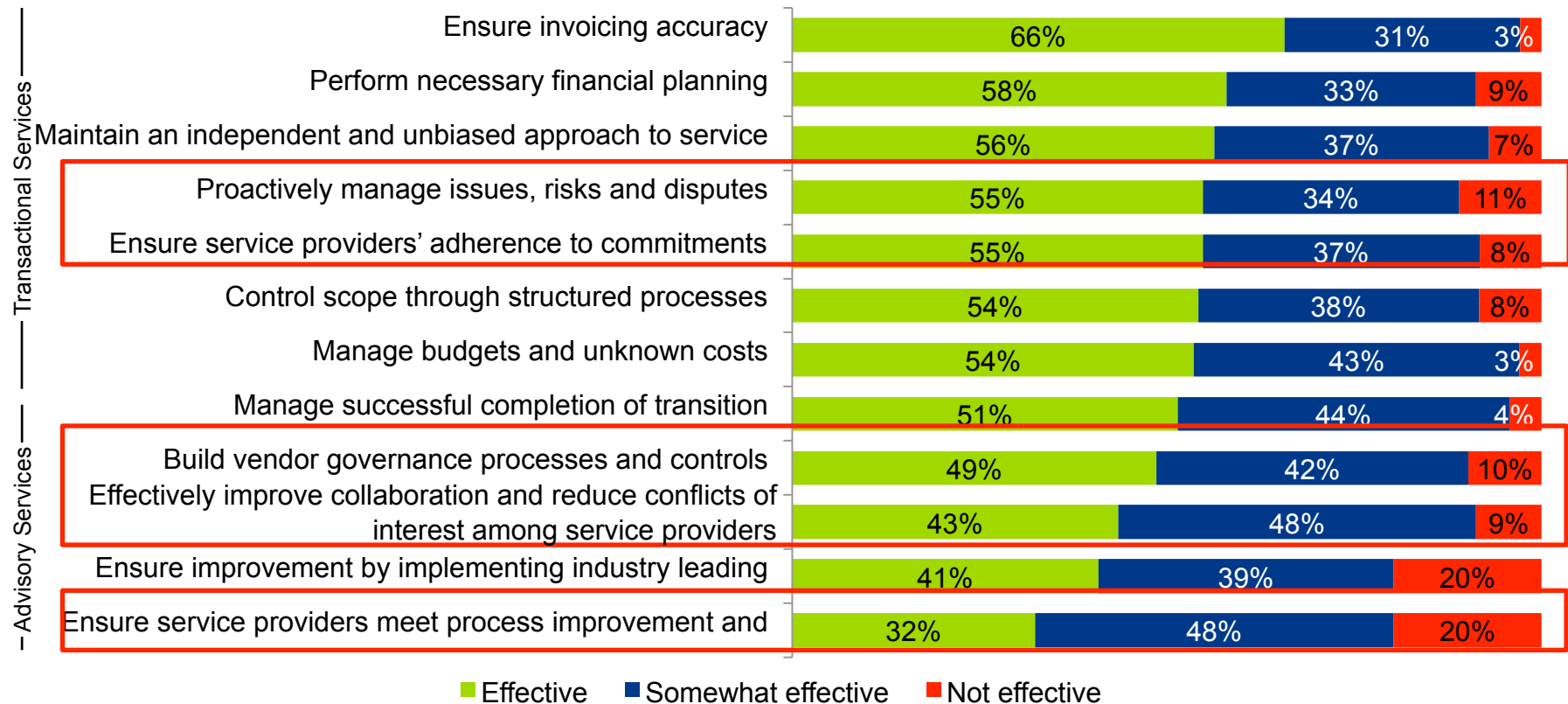


## Client insights

*"... Relationships are built upon a foundation of trust and developed through structure and collaboration ..." – Large Financial Services Client*

■ Source: Deloitte Global Outsourcing and Insourcing Survey 2012.

# How effective is your vendor management organization/function in meeting the following objectives?



## Client insights

*"... We are having a few problems getting extracts of data from the suppliers reporting tool in a format we can use ... " – Consumer Business Client*

■ Source: Deloitte Global Outsourcing and Insourcing Survey 2012.

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## Governance Tools overview

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# Key governance components: IT-automation quick hits

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# Survey of Governance Tools market

Deloitte has conducted a survey of selected Vendor Management systems' support for the Governance components outlined

Components assessed

Vendors

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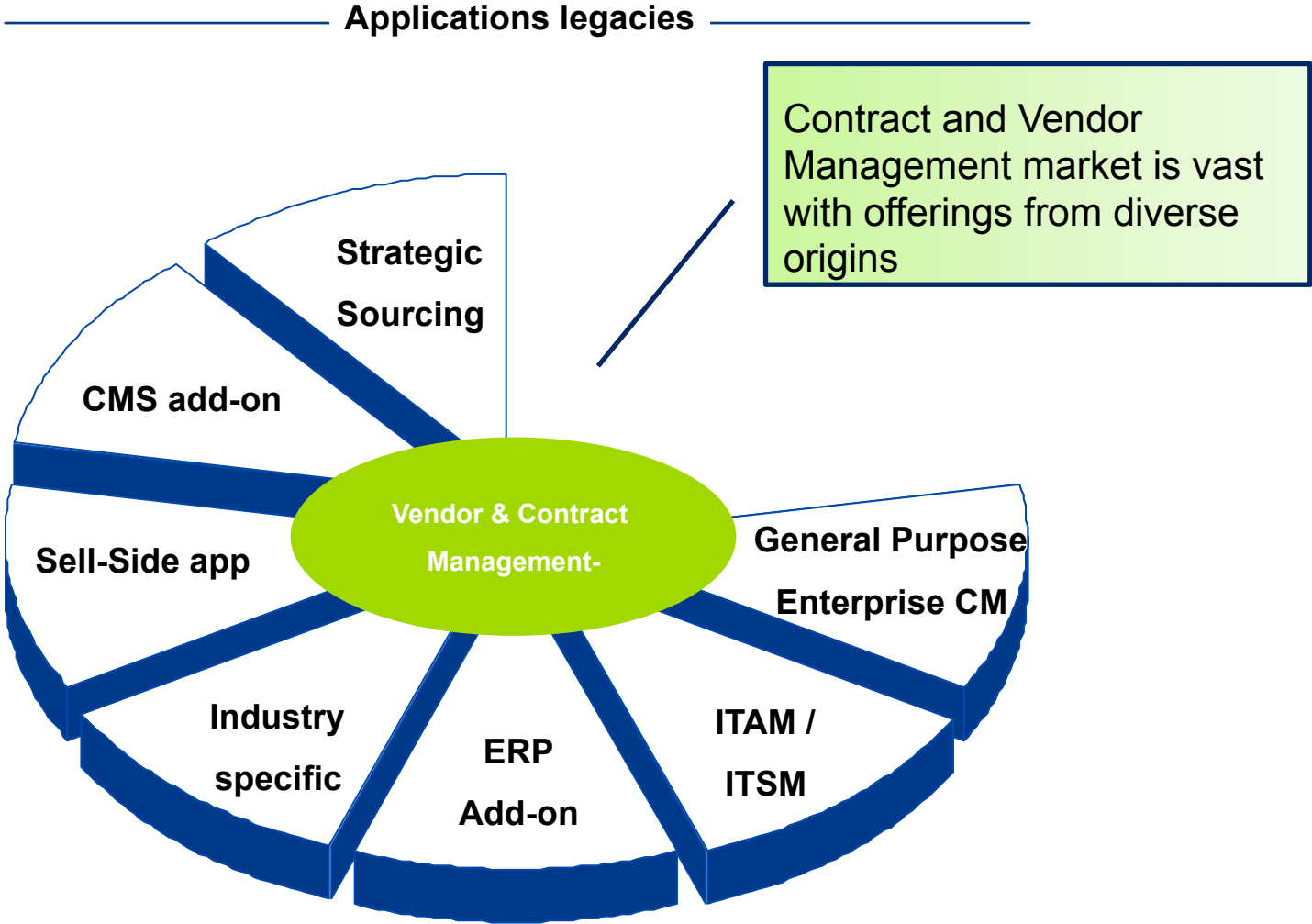






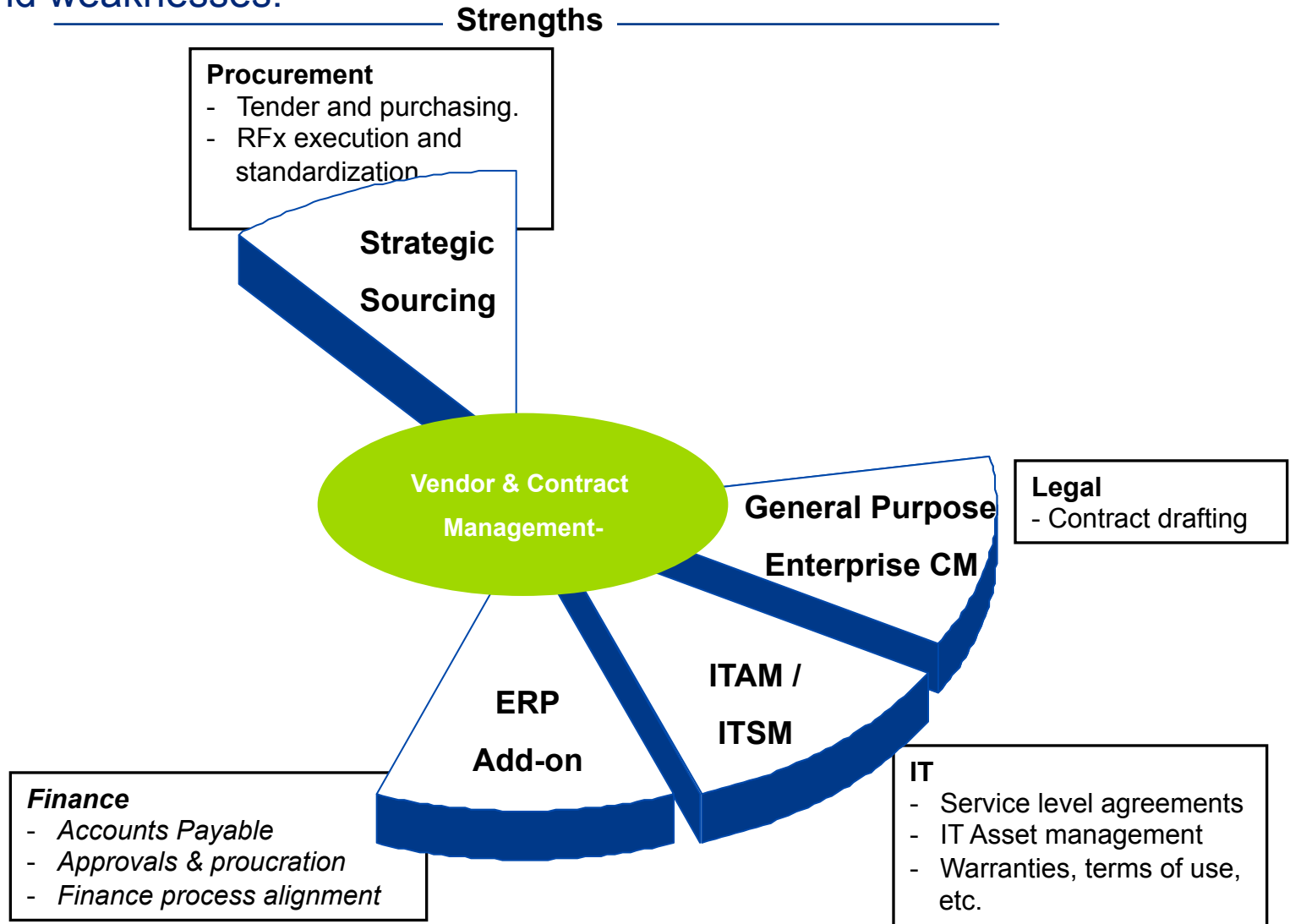


# Survey of Governance Tools market



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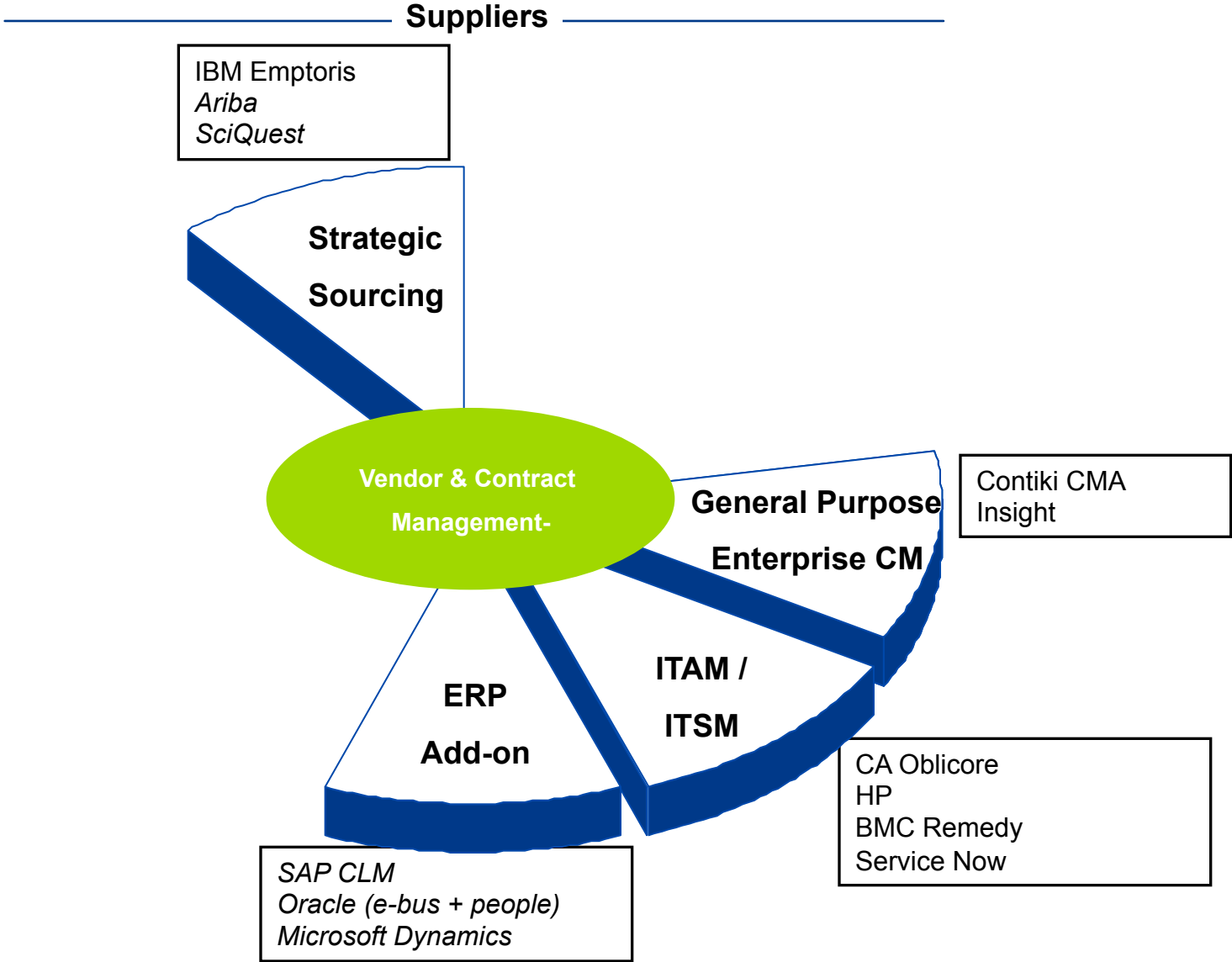
**Heritage matters:** Application origins give a good indication of offerings' strengths and weaknesses.





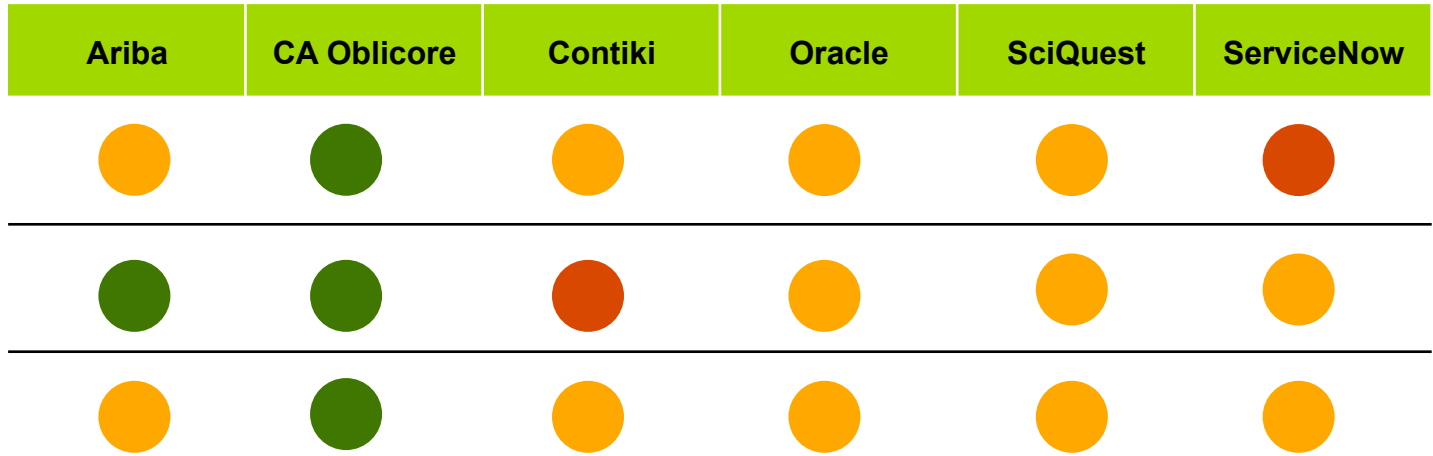
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Suppliers invited to the surveyed represent differing legacies



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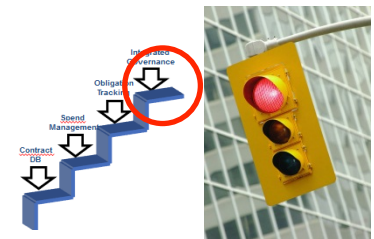
Peer ranking:



- CA Oblicore has the strongest all-round offering
- Ariba, is second in line, SciQuest and Oracle
- Ariba and Oracle are not specifically geared towards management of complex / IT contracts
- ServiceNow requires customer specific development in order to even do Vendor Management
- Contiki has focused specifically on the energy industry
- SciQuest is no longer life sciences only.
- Other vendors have left the market or declined.

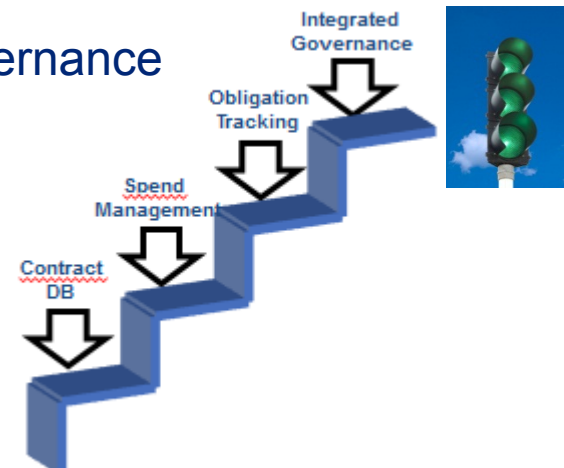
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None of the legacy Tools are spot on from an Integrated Governance point of view



# Conclusions

- Multisourcing and Customers' taking control of service integration will continue to drive increasing complexity in CVM landscape
- Client retained organizations will continue to be challenged on capabilities, cost and resources.
- Business is demanding increasingly integrated services putting pressure on CVM functions to manage and report in an integrated manner.
- Major benefits can be secured by preventing value leakage and improving collaboration
- Governance Tools are maturing and native Governance offerings are appearing .



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## Implementation learnings

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# Implementation learnings

## 1. Secure management buy in.

- Clear objective and mandate.

## 2. Choose your tool according to your priorities:

- Functionality required in the short term?
- Where do you want to go in the long term?

## 3. Secure deep knowledge of your processes.

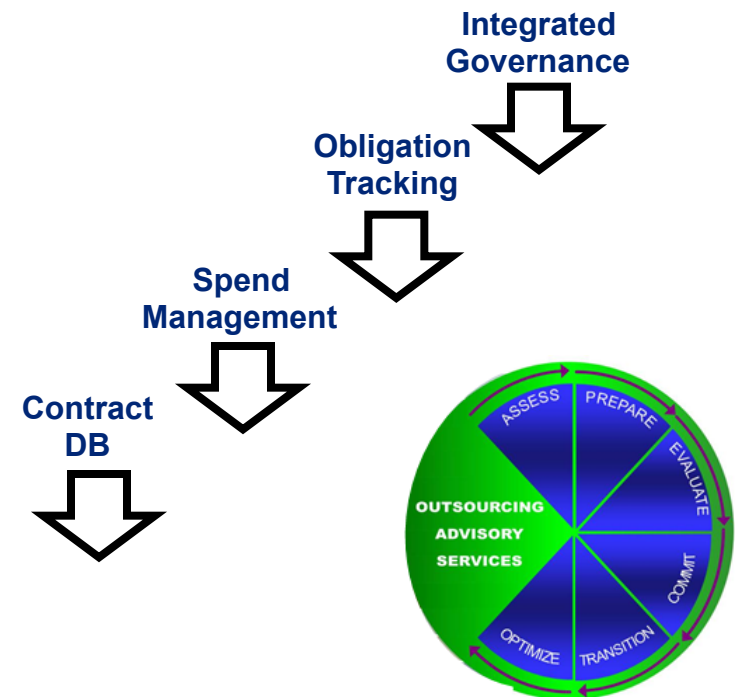
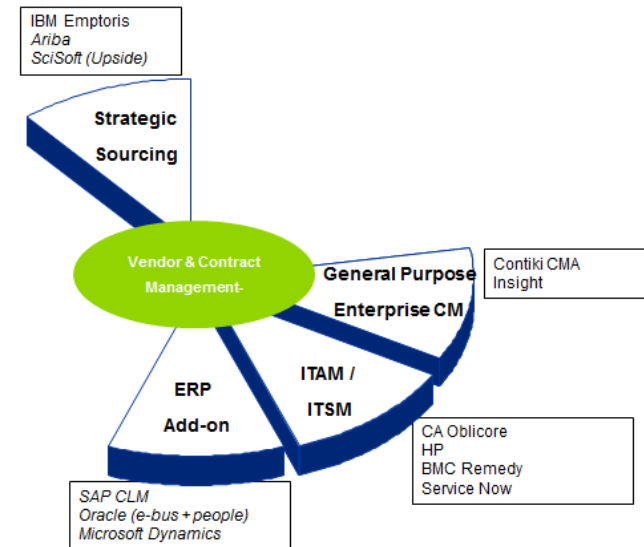
- Engage the experts.
- Don't let the junior on the bench drive this.

## 4. Management take the lead.

- This is defining all your processes. It's core business.

## 5. Take things one step at a time.

- Build up, learn, revise, re-plan, re-do.



Thank you for your time !

**Deloitte.**

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