

Vendor Management

Did you know that 60% to 80% of most information technology budgets are spend on existing vendor maintenance fees, software upgrade costs and outsourcing contracts, according to research from Gartner Inc. Most companies spend very little of their time renegotiating with the existing vendors versus new vendors.

Optimize magazine suggests that you consider vendor management as an evolving and dynamic process. Here are some "best practices" for CIOs to use in managing relationships with vendor partners:

- Align your IT-procurement strategy with your company's broader procurement strategy. For example, Porsche outsources more than 70% of its automobile manufacturing, choosing to focus on design leverage. Other auto companies are more vertically integrated.
- Critically review your IT-procurement organization and staffing. Too many CIOs involve procurement only at the end of purchases, and too many sourcing executives pretend to know IT as well as other commodities.
- Expect more from incumbent and strategic vendors. Legacy vendors eat up most IT budgets. Expect growing economies of scale from vendor partners. Use sophisticated scorecards for other metrics, including innovation and responsiveness.
- Revisit smaller vendors Well-managed smaller vendors can bring creativity and competitiveness to your supplier base.
- Review IT-procurement processes at a granular level. One size doesn't fit all. Techniques for procuring package software are very different from those used for hosting solutions. Even with packaged software, annual maintenancerenewal negotiations require a separate process to be effective.
- Develop common communication protocols with vendors. Share up-to-date guidelines, architecture charts, published philosophies with prospective vendors
- Define specific guidelines for the vendor-discovery process. It's important to assert control over every step of the sales process. Work with staff to identify specific technologies and vendors. You don't have to take every meeting a salesperson wants with you. Be selective and strategic.