CHOOSING THE MOST EFFECTIVE APPROACH TO VENDOR CONSOLIDATION

Rising operational costs, along with a charge from above to “do more with less,” place pressure on organizations to identify effective strategies to reduce spending. In the world of vendor management, this pressure often translates into a decision to assess current suppliers, evaluate which are true business partners, and whittle the number of total vendors down to a chosen few.

The task appears simple: reduce your organization’s current number of suppliers to extract the most cost-savings and gain increased service level performance. However, the process of consolidating your vendors and instituting a revised model by which to optimize them is complex, time consuming, and at times, very tedious. To overcome the inherent challenges of vendor consolidation and realize the gains of improved partnerships with your supplier base, it is critical to invest upfront effort and learn from those who have gone down this path before you.

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Potential Challenges to Vendor Consolidation

The process of consolidating vendors can be daunting. Some common challenges experienced by many organizations include:

- **Sheer Volume of Vendors to Vet**: The effort to consolidate a large base of suppliers is accompanied by an extensive amount of contracts to sort through, multiple vendor/internal stakeholder relationships to identify, and numerous performance metrics to quantify current performance. The process of evaluating and selecting vendors thus requires a long-term commitment of time, energy, and resources.

- **Long Business Cycle**: If the ultimate goal of vendor consolidation is to realize greater enterprise value, organizations seeking to consolidate vendors must first identify all facets of supplier engagement so they can optimize each interaction. The end-to-end experience between a vendor and your organization is multi-faceted as it involves various departments: IT leaders, business leaders, Human Resources, Procurement, Accounts Payable, Vendor Management Offices (VMOs), etc. Consequently, to assess your organization’s needs and build a consolidated vendor model that meets them, it is important to identify and involve all stakeholder groups.

- **Identifying Points of Potential Conflict and Compromise**: Each group of internal stakeholders possesses its set of business objectives. Consequently, each group has distinct priorities and expectations when it comes to evaluating vendor performance. IT leaders tend to care most about the vendor’s ability to provide quality resources and services. Business leaders want the best vendors with the most applicable capabilities. HR frequently prioritizes compliance to policies and procedures. Procurement seeks competitive rates and terms, while many Vendor Management Offices value speed to resource submittal and performance reporting capabilities. As these different priorities may sometimes conflict, organizations must identify areas of potential discrepancy and find the middle ground among all stakeholders. If the organization fails to stipulate these points of compromise, vendors will be left to make certain concessions on their terms, which may not always align to the business’ strategic objectives.

- **Measuring Subjective Indicators of Supplier Performance**: As most organizations seek “quality” outcomes from their vendor populations, it is critical that an organization define what quality means for various vendor services. Quantitative evaluations of quality are helpful for measurement and comparison; however, more subjective evaluations should also be considered as they represent what numbers cannot always measure. Standard performance reviews should be scheduled monthly or quarterly involving all impacted stakeholders. These forums will allow your organization and the vendor to discuss challenges and identify opportunities for improvement.

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Two Approaches To Vendor Consolidation: Outsourced Managed Service Provider (MSP) vs. In-House Vendor Management

While various approaches to vendor management exist, many organizations choose to either outsource vendor management to a Managed Services Provider (MSP) or manage their vendors via an in-house model. Each option offers distinct pros and cons, so organizations must decide which factors are most important relative to their strategic goals.
**Fully Outsourced MSP**

Under this model, the organization outsources vendor management responsibilities to an MSP. The MSP helps to identify organizational priorities, selects vendors deemed best-suited to support those priorities, and then runs the Vendor Management System (VMS) post vendor-selection.

The benefits of this model are simple: organizations do not have to invest their in-house resources to define and manage the vendor program. Rather, they can offload this responsibility to an MSP with industry expertise as well as set Service Level Agreements (SLAs) while they focus instead on their core business.

The cons are not as clear, but can have significant impact nonetheless. For one, an organization runs the risk that its MSP manages the vendor base as though all vendor services are commodities when, in truth, the MSP is commoditizing services that could add value. By instituting processes and policies that meet the MSP’s desire for managerial simplicity more than the organization’s need for high-quality services (i.e. no contact with the end-using managers), an MSP can inhibit or discourage vendors from acting as true business partners to the end-using organization.

Vendors operating within this type of MSP model may meet the MSP’s objective measures of performance, such as fair rates or compliance with policies, but they do not go beyond these measurements to truly understand the business’ objectives and offer creative solutions to achieve desired results.

Consider the following attributes of an MSP-focused vs. organization-focused model as it relates to the acquisition of IT staffing services:

- **Candidate submissions are standardized:** Many MSPs require all candidate submissions to follow one format and resume only. However, since all candidate submissions look the same, it is difficult for hiring managers to see which candidates were thoroughly screened and which were merely brokered from job boards.

- **Contact vs. no-contact with the organization:** There is a significant trend in the industry toward the implementation of non-solicitation terms. While non-solicitation terms may protect IT leaders from unproductive vendor calls, they can also limit the value an organization receives from even the best vendors. These policies do not allow vendors to completely understand the customer’s culture, specific technical needs, business goals, team composition, and additional requirements for value added services.

- **Candidates are not associated to the vendors submitting them:** Disassociating candidates from vendors may help to avoid favoritism. Yet, it fails to consider the value-added behaviors some suppliers provide (and others do not provide) pre- and post-placement.

- **All vendors receive the same information on every open position:** Many companies that adopt this policy only issue very high-level and basic information about job descriptions or service needs. Vendors that operate off of this information are therefore limited in their understanding of customer needs and their ability to act as true strategic partners.

- **All vendors are held to the same performance/scorecard targets:** While measuring all vendors according to the same metrics is logical, many scorecards do not consider the end-to-end customer / provider experience inclusive of all stakeholder perspectives. Moreover, the ability to provide the “right” candidate is a subjective measure. Submittal-to-hire ratios, for example, lack performance indicators and only gauge pre-placement criteria rather than actual job performance post-placement.

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In-House Vendor Management

In contrast to the outsourced model, organizations that in-house vendor management must invest the time, effort, and resources to manage the vendor population. However, in doing so, these organizations may find it easier to more directly represent the goals, objectives, and quality standards of internal stakeholders, while also ensuring vendors act as true partners in accomplishing their organizational priorities. Instead of relying solely on the MSP, the in-house vendor management model can allow those customer stakeholders directly impacted by supplier performance, to define and evaluate vendor performance.

Typically, organizations that effectively utilize this model require all impacted stakeholders to help shape vendor performance expectations. They then work with vendors to set realistic targets and develop strategies (i.e. quarterly performance reviews) that comprehensively measure more subjective performance indicators not easily captured through formalized metrics.

By continually monitoring and experiencing vendor performance, organizations gain an intimate understanding of each vendor’s strengths, weaknesses, and service offerings. Organizations that use an in-house vendor management model may also have better success encouraging their vendors to go above and beyond standardized performance metrics to add enterprise value.

Final Recommendations

If you are considering or are currently in the process of consolidating vendors, here are three recommendations to help you along the way:

- Proactively identify and prepare for potential challenges to achieving a successful consolidation effort.
- Clearly define your organization’s performance standards for suppliers and remember to consider how you will gauge subjective indicators of quality.
- Systematically weigh the possible pros and cons of each consolidation model relative to your organization’s strategic objectives. Make sure to account for direct and indirect impacts of vendor management processes that may be sizable to your organization.

By understanding the various options for vendor consolidation, and the potential challenges to implementing such an effort, you can make better decisions regarding what may and may not work within your organization. Ultimately, a successful vendor consolidation initiative is worth the time and energy you invest. Companies that rely on a consolidated list of vendors tend to achieve higher levels of vendor performance, internal productivity, and enterprise-wide cost savings.

A successful vendor consolidation initiative is worth the time and energy you invest.

ABOUT US

People are at the heart of every successful business initiative. At TEKsystems, we understand people. Every year we deploy over 80,000 IT professionals at 6,000 client sites across North America, Europe and Asia. Our deep insights into IT human capital management enable us to help our clients achieve their business goals—while optimizing their IT workforce strategies. We provide IT staffing solutions, IT talent management expertise and IT services to help our clients plan, build and run their critical business initiatives. Through our range of quality-focused delivery models, we meet our clients where they are, and take them where they want to go, the way they want to get there.
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Eric Staebell
EXECUTIVE DIRECTOR OF SALES GLOBAL SERVICES

Eric Staebell has more than 13 years of experience in the IT staffing and services industry.

As the Executive Director of Sales for Global Services,

Eric is responsible for developing and executing TEKsystems’ Global Services sales strategy spanning our portfolio of applications, infrastructure, and training services.

Eric has been in his current position with Global Services since 2006, leading his sales team to produce significant growth each year. To better meet customer needs for global services, Eric established a new sales organizational structure including Regional Director roles and doubled the number of Business Development Manager roles. Eric also introduced multiple training initiatives to ensure his sales force is well versed in industry trends and how each Global Service offering helps to address key customer challenges.

In 1996, Eric joined TEKsystems as a Recruiter. He was quickly promoted into an Account Manager role, and then promoted again to Executive Director of National Accounts. In that role, Eric managed major Fortune 500 communications companies including, BellSouth, SBC, Cingular, Verizon, and Verizon Wireless, ensuring his team earned a position as a Top 10 vendor with each of his accounts.

Eric is a graduate of Northern Iowa University, and currently resides in Atlanta, GA, with his wife, Lani and daughter, Leighton. He enjoys golfing, running, and spending time with his family.