

High Performance Procurement & Vendor Management



HPP & HPVM Training Program

Module 1 – High Performance Procurement (HPP)

1. HPP Introduction / Overview
2. Category Management and Annual Procurement Planning (executive-level strategy/presentations)
3. Strategic Sourcing Best Practices

Module 2 – High Performance Vendor Management (HPVM) Supplier Governance Models

1. Vendor Governance Models / Reporting Requirements
2. Service Level Agreement Models and Key Performance Indicators
3. Supplier Performance Program and Balanced Scorecard Models

Module 3 - High Performance Vendor Management (HPVM) Supplier Quality Management

1. Lean Six Sigma Fundamentals
2. Business Process Management Fundamentals
3. Facilitating Supplier Corrective Action / Continuous Improvement Workshops and Projects

HPVM Training Program: Deliverables



- **After HPP and HPVM Training Program completion, participants will be able to develop:**
 1. Initial Vendor Segmentation and Spend Analysis from current supply base
 2. First drafts of Category Strategies for high priority categories
 3. Initial Annual Procurement Plan with Category Management Roadmap and Implementation Plan
 4. Initial HPVM Governance Models for Top 3 Vendors including suggested SLA and KPIs
 5. Familiarity with Quality Management concepts and facilitating brainstorming / continuous improvement initiatives
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High Performance Vendor Management

Introduction



Once a decision is made to outsource, planning must begin immediately to build strong supplier-Client relationships through a Vendor Management model.

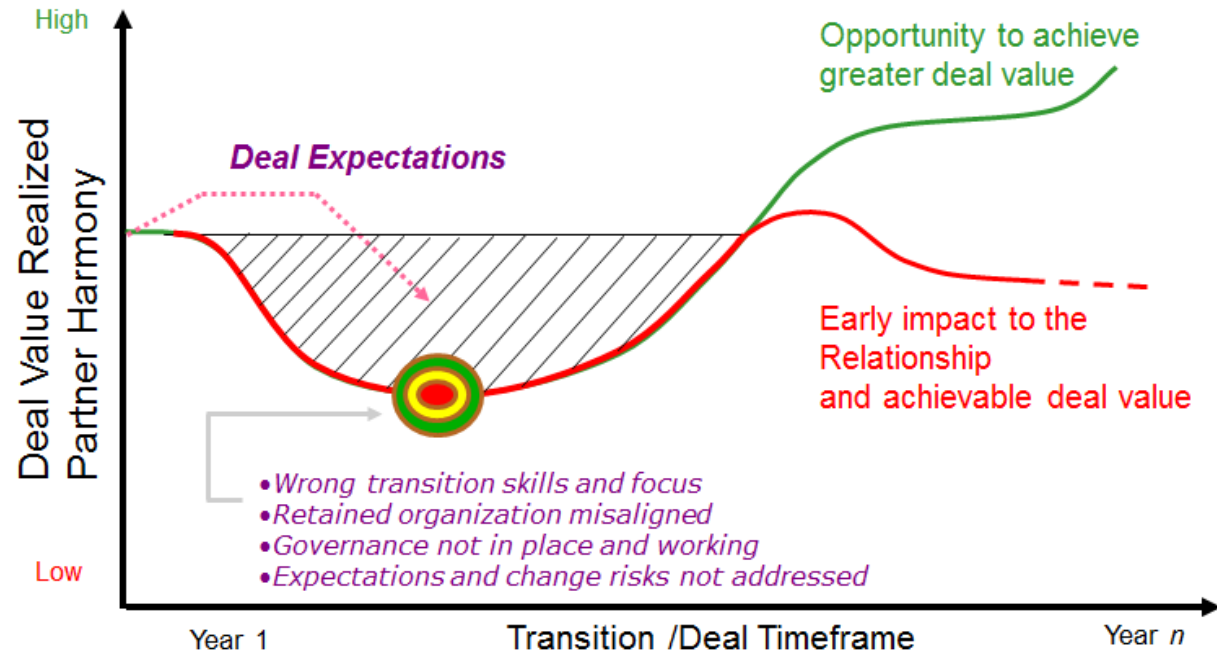
- **What is High Performance Vendor Management (“HPVM”)?**
 - High Performance Vendor Management includes the processes, tools and governance structures that allow customers and suppliers to establish a relationship that enables both parties to fulfill their contractual obligations.
 - Regardless of deal size or scope, effective HPVM requires building the competency to manage strategic partners to make the relationship as successful as possible while creating & sustaining value for both parties.
- **What does it take to implement effective HPVM?**
 - HPVM should be performed by capable team members with specific skills, experience and good business judgment and who may or may not come from areas that currently have a stake in the process.
- **What is a High Performance Vendor (a.k.a. Strategic Supplier)?**
 - A High Performance vendor is a supplier whose current or potential relationship is sufficiently important to merit significant attention, prior to and throughout the life of a requirement (or contract).

The True Value of Outsourcing...Often Not Realized!



Outsourcing Value is Frequently Not Realized Because the Approach to Transition, Relationship Governance and ongoing Service Quality Management is Inappropriate.

- More Projects are cancelled during Transition than during Steady State!*
- More than 50% of Outsourcing Efforts “Fail” due to ineffective Transition.**





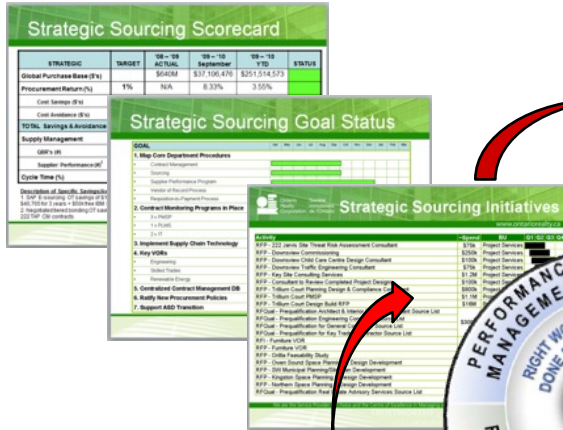
High Performance Vendor Management: Overview

- HPVM consists of resources, activities, processes and tools that enable a CLIENT to align vendor delivery to their strategic objectives, performance to their requirements, and track progress towards meeting their goals.
 - HPVM is a disciplined and planned approach to managing vendor performance in a transparent and objective fashion through a specific and meaningful set of measures that enables CLIENT and LoBs to:
 - control costs;
 - Improve performance;
 - manage risk; and
 - drive continuous improvement.
 - HPVM allows the business to strategically align resources, processes and systems (involving vendors) with their business priorities and maximize opportunities over the life of the contract; also improving relationships with key vendors.
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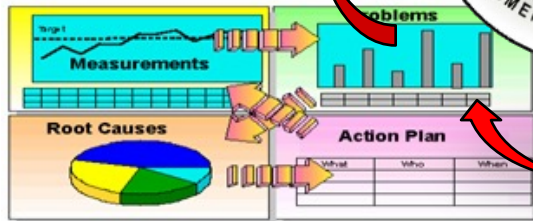
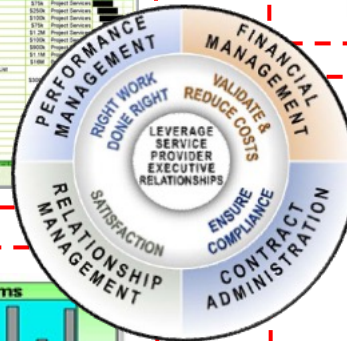
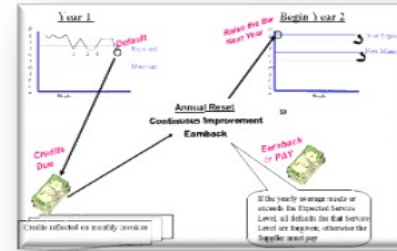
High Performance Vendor Management: Framework



1. High Performance Procurement



2. HPP Tools & Templates



4. HPVM Quality Management



3. HPVM Governance Model



High Performance Vendor Management: Framework

The key elements of an effective HPVM framework includes:

1. High Performance Procurement

- a. Development and execution of an Annual Procurement Plan
- b. Deployment of a Category Management approach
- c. Strategic Sourcing Best Practices Implementation (RFP, RFQ, etc.)

2. HPVM Tools & Templates

- a. Vendor Service Level Agreement Models and Key Performance Indicators
- b. Vendor Balanced Scorecard Management
- c. Vendor Performance Program Implementation

3. HPVM Governance Models

- a. Building an effective Vendor Management Organization
- b. Implementing Vendor-CLIENT Governance (meeting schedules, agendas, etc.)
- c. Executing Custom / Ad Hoc Reporting Requirements (dashboards, portals, etc.)

4. HPVM Quality Management

- a. Quality Management skills development (e.g. Lean Six Sigma, BPM, etc.)
 - b. Facilitation of Corrective Action / Continuous Improvement Workshops
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High Performance Vendor Management: Details

1. High Performance Procurement:

- includes the activities required to identify partners who can create business value through their provision of products and/or services including evaluation, selection, and implementation of performance management in cooperation with LoB and in accordance with established procurement principles.

2. HPVM Tools and Templates:

- includes industry standard or custom models and methodologies to measure, track and improve vendor performance against key business requirements.

3. HPVM Governance Models:

- feature a tiered approach that includes appropriate escalation and reporting hierarchies encompassing all levels of management reviews and meetings.

4. HPVM Quality Management:

- develops an internal, systematic approach involving a combination of quality management tools aimed at increasing vendor and CLIENT performance by reducing defective practices and pursuing innovation through formal continuous improvement.

Purpose of High Performance Vendor Management



Multiple, complex vendor relationships drive the need for stronger buy-side control, ownership and accountability of performance, governance and quality management

Risk Mitigation



Value Realization

- Meet contractual obligations
- Ensure effective quality management
- Rapid resolution of issues
- Ensure management control
- Provide consistent direction to vendor(s)

- Ensure delivery at expected quality
- Sustain Best Customer pricing
- Manage Demand
- Leverage and focus vendors' capabilities
- Optimize through standardization
- Institutionalize process improvement



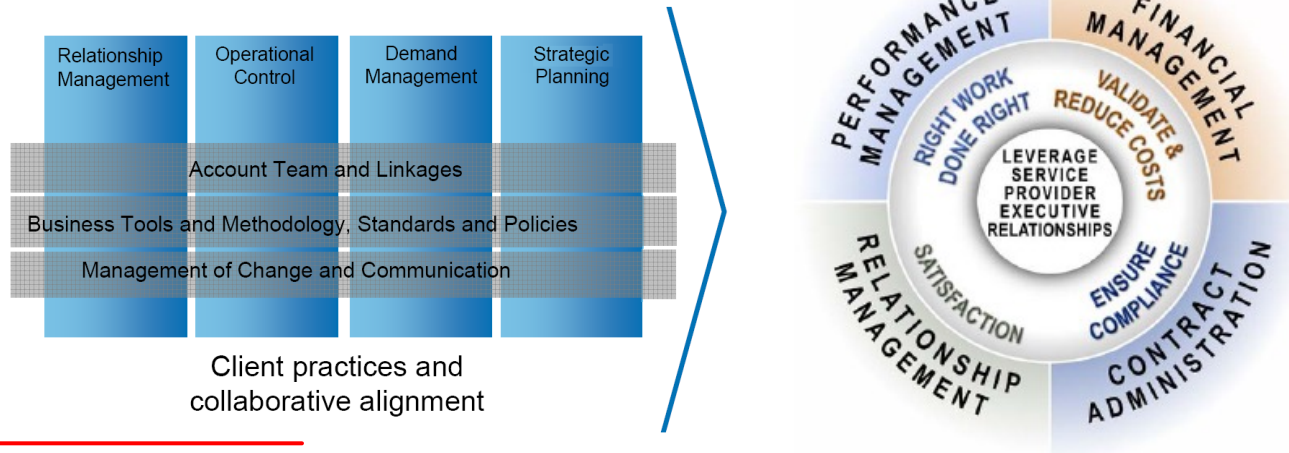
Importance of HPVM

- The application of HPVM to key vendor relationships ensures delivery of services at agreed upon quality and price are realized.
 - Applying HPVM Best Practices helps LoBs identify potential issues, consider their root cause, and take the appropriate measures to expedite resolution.
- The recommended approach is to implement a standardized, robust and consistent HPVM framework and discipline across the firm to support each LoB in managing their strategic vendor relationships.
 - HPVM should be applied to all Categories and be geared specifically to the individual LoB needs, based on the criticality and complexity of the services.
 - the specific level of HPVM implemented should be based on the vendor's prioritization.
- Vendor relationships that are core and critical to the LoB's operational performance should be the priority, with others to follow.



What Does HPVM Achieve?

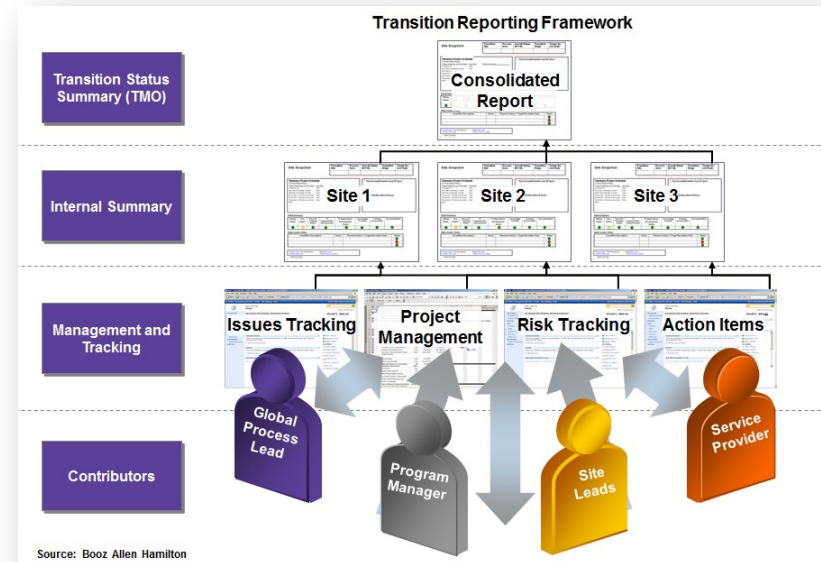
- Provides direction and focus to ensure the CLIENT and vendor(s) achieve world-class performance.
- Instills a “voice of the customer” to ensure that the services delivered are as required and to provide leadership to the quality management process.
- Facilitates conflict resolution and continuous improvement by providing a defined structure and process for dealing with opportunities and issues in a timely and effective manner.





Benefits of High Performance Vendor Management

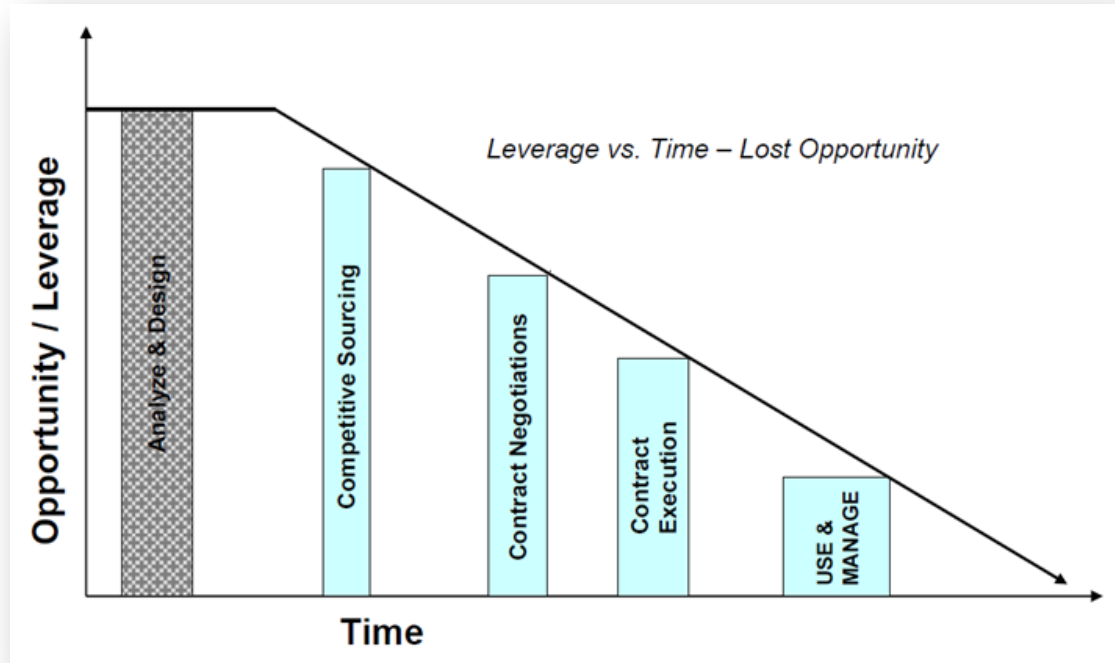
- Effective and consistent application of the HPVM framework will drive the following benefits:
 - Optimization of sourcing, contracts and relationships to deliver maximum value;
 - Risk mitigation by applying appropriate standards, oversight and due diligence;
 - Transparency into vendor performance and benchmarking;
 - Efficient allocation and use of time and resources;
 - Alignment with business priorities;
 - Improved service delivery;
 - Cost control; and
 - Continuous improvement.





HPVM Deployment: Introduce Early

- Once the agreement is executed, it is very difficult to negotiate new requirements (such as service levels) since vendors typically price the deal based on the initial scope and requirements included in the procurement document (e.g. RFP).





Implementing HPVM

- Deploying HPVM best practices in a formal, structured manner are a necessary and invaluable means of optimizing external spend through the contract lifecycle.
 - **Step 1. High Performance Procurement:** Segment vendors according to business importance and potential spend (“Category Management”) then develop and execute an effective procurement strategy (“Annual Procurement Plan”) including robust sourcing activities.
 - **Step 2. HPVM Tools & Templates:** Leverage advanced tools and templates in the sourcing and contract negotiation to measure the effectiveness and efficiency of vendor outputs such as service deliverables and product delivery.
 - **Step 3. HPVM Governance Models:** Monitor, Assess and Manage vendors’ progress toward achieving targets and goals through implementing and sustaining effective relationship “Governance” models.
 - **Step 4. HPVM Continuous Improvement:** Focus on improving vendors’ performance delivering products and/or services through the life of the contract by seeking opportunities to improve outputs (e.g. efficiency gains such as automation, reduction in time/steps/resource and/or cost savings). These efforts can seek "incremental" improvement over time or "breakthrough" improvement all at once.
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Approach to HPVM Deployment

- **For new deals:**
 - It is optimal that performance metrics and measurements be established upfront once the requirements have been defined and prior to going to market.
 - Then identify which governance model is most appropriate to manage the vendor relationship and from there, incorporate it into the agreement as a standard term and ensure it's agreed upon (and staffed) by both parties.
 - This approach sets the right precedent for how the vendor relationship will be managed post-execution and facilitates the mutually agreed upon HPVM at the onset of the relationship.
 - **For existing deals:**
 - Vendor analysis (categorization and prioritization), governance, and performance monitoring mechanisms should be reviewed as a key part of the annual due diligence process typically conducted on any business deal.
 - Appropriate measures should be taken to address any gaps or variances identified between the existing vendor management practices used by the LoB and what is recommended through the HPVM approach.
 - All of this is part of a sound Category Management approach implemented and performed by procurement.
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HPVM Supports and Enhances the CLIENT Mission



- HPVM allows CLIENT to be proactive in managing the supply base because quality vendors are fundamental to the success of CLIENT and, ultimately, lead to improved stakeholder satisfaction.
 - HPVM features an holistic approach to managing vendors including activities such as:
 - Providing timely feedback in key areas such as delivery, accuracy and quality
 - Conducting vendor performance audits when applicable
 - Working with vendors on quality improvement and cost reduction initiatives
 - By proactively managing vendor performance and periodically discussing improvement opportunities, CLIENT can realize the full benefits of products and services acquired.
 - Remember, CLIENT must be professional in all our dealings in the market and establish a dynamic where vendors want to do business with us again.
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