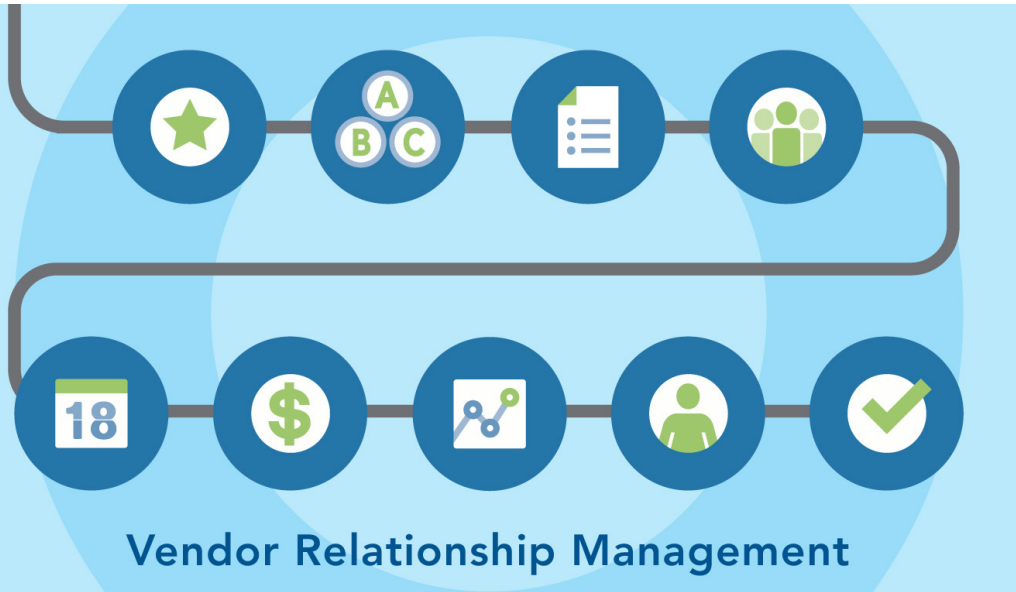


A Nine-Step Vendor Management Strategy for CIOs



Purpose

The North American healthcare technology market has seen tremendous growth in recent years, and the number of software and hardware vendors servicing the healthcare industry continues to climb. With the continual digitalization of healthcare, vendor management will become a more important skill.

Healthcare and a host of other industries, such as commercial enterprises, government and education, are seeing an increased need for vendor management. The aim of this report is to provide technology leadership with simple steps for the early stages of vendor relations. The approach presented is designed to facilitate the implementation of quality products without unnecessary resource expenditures.

Industry Dynamics

Businesses often need to update existing technology or gain access to new capabilities. A legacy system may not be providing value, you may need to consolidate suppliers to eliminate inefficiencies, or expansion or regulations may be creating additional requirements. Under these types of circumstances, organizations need a way to select and build relationships through a fair system encouraged by a competitive environment.

The aim of this report is to provide technology leadership with simple steps for the early stages of vendor relations. The approach is designed in a way to facilitate the implementation of quality products without unnecessary resource expenditures.

Why Vendor Management?

Technology is always changing, and it can become a detrimental drain on resources to get bogged down in over analysis while selecting a vendor. Though analysis can be time consuming and costly, organizations also need to select solutions that get the job done at the right price. By applying vendor management techniques, you can streamline analysis and implement profitable solutions in a timelier manner.

Utilizing some of these tips will help you start vendor relationships. By incorporating these guidelines with a larger vendor management process, you can build a series of effective processes that will aid you in obtaining an optimal ROI from outsourced products and services.



Techniques to achieve success

When you need to enlist vendors for projects, starting with the proper guidance ensures long-term solutions efficiently come to fruition. To efficiently carry out the early phases of vendor relations, these steps will help produce a feasible solution in a timely manner.

Step 1: Understand what you're looking for from the vendor and create clear objectives

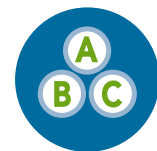
Before meeting with vendors, gain a good understanding of your business drivers. Do you want the best price, technology to improve a capability, something more efficient to reduce maintenance costs or something simple because you can't afford skilled staff? Whatever your needs are, you'll need to turn them into defined goals you can stick to in vendor discussions. With a little collaboration, this process isn't too difficult, and addressing critical questions will help teams develop a scope to efficiently guide product selection and negotiations.



Don't waste too much time here, but defining objectives is a necessary step to help you vet out vendors that don't satisfy your needs. By vetting vendors that won't meet your most important requirements, you save time in research by only looking into qualified candidates. You will also be able to keep your conversations focused, so you're not distracted and inefficient.

Step 2: Assess multiple options and encourage competitive pricing

Promoting competition for your business and assessing your options will lead to more successful outcomes. Set a budget you can afford and always try to find at least two or three vendors that can provide you the same product or service at the price you need. This will help you maximize your negotiating capability and increase your understanding of market pricing. Even if you don't want to use another vendor, you can hear different viewpoints on pricing, develop a basis for comparison and promote competition.



Step 3: Create a detailed agenda before vendors arrive for negotiations

Your agenda should be tailored to your scope. It's also helpful to provide your vendors a list of questions before meetings begin and request questions from them, so both you and the vendors can prepare answers prior to the meeting.



A Nine-Step Vendor Management Strategy for CIOs

The more detailed your pre-meeting planning and agenda can be, the better. Performing pre-meeting planning and establishing an agenda will keep vendor meetings geared toward your scope. By keeping vendor discussions restricted to the requirements outlined in your scope, vendors will not use valuable time to introduce unneeded or irrelevant products.

Step 4: Assemble cross-functional teams with an IT management sponsor

Teams should be composed of members with various objectives, including operational, technology, functional, business and strategic. The leader's task requires facilitating a balance between building a consensus and meeting business objectives in a timely manner. A cross-functional team along with an egalitarian leader will lead to more effective results, both immediately and long-term.



Step 5: Establish vendor days to maximize time efficiency

Vendor days are regularly scheduled time periods set aside for meeting with vendors. As an example, vendor days could be scheduled on every second Wednesday for three one-hour time slots. Establishing set time periods to meet with vendors provides the following benefits: it helps shortlist who you meet with, it helps coordinate effective teams and it helps companies better prepare for meetings.



Step 6: Define what you want to spend and don't buy more than you need

Don't let vendors dictate the process and due diligence you need to go through. Decide what you want to pay and stick to it. Clearly communicate what you're willing to pay to vendors. If a vendor does not offer products or services at the price you need them, let the vendor walk for a while and be prepared to reevaluate.



When negotiating, organizations should also avoid buying unnecessary items or engaging in any premature sales deals. Vendors may try to entice you with bulk order discounts or month end or quarter end sales, but you won't save money buying what you don't need.

Step 7: Create a scoring tool to rank objectives outlined in your scope

A scoring tool provides an objective list of criteria used to evaluate vendor offerings and reach a decision. The tool you use can be filled out on a dashboard after each meeting with minimal effort, and it ensures due diligence was taken before adopting a new technology.



Evaluated items in your scoring tool should be pulled from your outlined objectives. You will need to rank and weight items to prioritize more important considerations. By providing a platform to judge vendor offerings per your specific requirements, managing a scoring tool will help you assess which vendors will satisfy your most important needs. The scoring tool will also provide useful data when you need to shortlist viable candidates.

A Nine-Step Vendor Management Strategy for CIOs

Step 8: Assign a point person for contact

Your project will probably require the input of multiple staff members. From your team, you should select a point person who will be a single representative that vendors coordinate and negotiate with. The designated point person should not make final decisions but will help ensure a competitive environment and streamline communications. Vendors should be restricted to managing all communications through the point person. This will help you establish and maintain a governance process.



Step 9: Make sure vendors understand and adhere to all rules of engagement

Establishing a defined set of rules will aid in negotiations and go a long way in establishing a synergetic partnership with a vendor. To facilitate profitable and fair negotiations, companies should be clear about the consequences involved in rule violations.



Summary

To avoid being bogged down in analysis and ensure the ability to move forward with a feasible decision, organizations can benefit from efficiently developing requirements to vet out viable candidates, creating a clearly communicated governance process, sticking to a bottom line and assessing multiple options. By controlling negotiations through a fair governance process with set spending limits and creating a competitive environment, organizations increase their chance of procuring optimal products and services at the best value.

Conclusion

C-level stakeholders in charge of budgets should be aware of the general techniques required for a vendor management program. However, we recommend assigning the tasks of managing procurement and making sure SLAs are upheld to qualified specialists. These specialists should have industry-specific experience in technical assessments, business communications, and negotiation. They should also provide methods of tracking performance to show value gained from vendor management operations.

T2 Tech Group is a vendor neutral team of highly experienced technologists, subject matter experts, PMs, CIOs, executives and entrepreneurs. We have in-depth experience in healthcare and can help you assess your requirements, procure your equipment, build your vendor governance program and manage your relationships for long-term value.

Our project management methodology incorporates an effective process for routine stakeholder involvement, and we only engage clients when we know our services can provide value. Clients who have benefited from our vendor management services include Sharp HealthCare, Stanford Health Care, Verity Health System and other well-known healthcare providers.

Authors



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About T2 TECH GROUP: T2 Tech Group specializes in tackling difficult technology challenges and transforming IT liabilities into valuable assets for clients in a range of industries. Since its founding in 2006, T2 Tech has built a reputation for delivering high-quality technology consulting and management advisory services to executives and IT leaders in a range of industries. Unlike many consulting firms, T2 Tech has no financial interest in vendor selection, freeing the company to focus completely on realizing customer goals. At T2 Tech, we advocate for our clients; approach each project with no bias; and practice the highest levels of integrity, experience and expertise.

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