

# Vendor management 2.0

HOW ON-DEMAND PROCUREMENT IS CHANGING THE DYNAMIC BETWEEN CIO AND VENDOR AND PLACING THE ONUS ON CONTRACT MANAGEMENT

**T**he conventional approach to engaging IT vendors may not be adequate in delivering your new, emerging and disruptive business technologies and service models.

At the core of any IT 'as-a-service' approach lies the need for a far tighter and transparent working relationship between you and your vendors, because you are mostly operationally dependent on their performance. Implicit is the fact that the provider is now accountable for all security and operational elements comprising the service, over which you may have little influence or visibility.

The operational integrity and alignment to your requirements is no trivial exercise. Once services are up and running, maintaining a healthy and active ongoing vendor management regime in a volatile environment will mitigate your systemic risks.

There are 10 factors shaping this dynamic that CIOs need to consider:

**1. IT may no longer be the primary decision maker:** The tacit belief that 'because it's IT, IT makes the vendor decision' is under scrutiny due to a range of factors including shadow IT, moves to fragment enterprise IT, and the need to deliver a solution in weeks rather than months to avert a short-term, localised business crisis.

**2. Your exit is more important than entry:** Under what circumstances can you vary or terminate a vendor's contract, without penalty or prejudice, especially if co-dependencies exist between several vendors? Plan ahead.

**3. Disruption in your vendor's market:** Understand what forces are at play by regularly monitoring changes in your vendors' markets.

**4. Too big to talk?** If needed, how do you negotiate specific services with dominant digital landlords such as Google, Amazon or Microsoft?

**5. Agile is the new black:** Adaptable, responsive organisations win business and also respond to changes in the commercial, regulatory and security environments without crisis management. How will your vendors meet your demands for adaptability? This is more than just meeting SLAs.

**6. Risk appetite is not constant:** In this volatile environment, expect your risk appetite and profile to change as your business changes. How will or can your vendor respond, and at what cost?

**7. Jurisdiction:** The relationship between your vendors is key to your overall success. Managing demarcation disputes may be a challenge, especially if there are non-disclosure considerations between competing vendors that need to collaborate in delivering your services.

**8. Your vendor's shareholders are not yours:** Your vendor will make technical, commercial, risk and

jurisdictional decisions in their best interests. That's commercial reality. However, this is sometimes overlooked in the enthusiasm for adopting a compelling new technology or solution.

**9. What's the intent of your contract?** Outlining every possible change scenario is problematic, and stitching up a restrictive contract could be counter-productive in a volatile environment. By the time you work through enforcing the vendor's compliance, the relationship is probably on its way to being adversarial.

**10. A fragmented supply chain:** Your vendor will most likely have their own vendor ecosystem, so CIOs need to recognise the challenges suppliers face in selecting and managing vendors are similar to their own. This will continue down the vendor daisy chain, and potentially elevate your systemic risk. What minimum standards are mandated, monitored and measured through this supply chain? Maybe it's time to check the use-by date on your vendor procurement processes. [CIO](#)

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