Benefits of Reducing Your Vendor Footprint

In 33 years of watching organizations buy technology, it's been the exception to see them wisely leverage their spend. The exceptions were either shrewd small business owners or very large enterprise organizations with seasoned buyers. These buyers were doing their organizations several huge favors. And arguably, the vendor space was benefitted as well.

What do we mean by "leveraged spend"? In short, it's a path to reducing costs in multiple areas, improving service levels, and reducing operational risk to your organization. These and others are addressed in a bit more detail below. But first, let's be candid about the challenges.

Organizational Challenges

The concepts here are quite simple. The execution gets hampered by several factors including the time and expertise needed to accurately assess internal needs, which might entail assessing needs across silos or spans of control. Compounding this is the level of contact within the organization capable of both spanning the organization and the ability to influence. In other words, without executive engagement, this effort becomes challenging if not impossible. And to keep it interesting, another challenge often encountered: overcoming current vendor biases and relationships.

Needs Assessment Challenges

Let's not underestimate factors in assessing the internal needs. Here are some factors to consider:

- Duration of agreement. Can you extend it for long enough to get you vendor concessions in return?
- Defining what interdependencies if any with other vendors. See our article titled "Best of Breed vs Best Practices" for guidance on this topic.
- Is the product/service at hand potentially an enabler to competitive differentiation for your company in the marketplace?
- Is the level of criticality of the product/service at hand great enough to warrant vendor redundancy?
- How important is having the contractual option of a business downturn clause, enabling substantial reduction of financial commitment if needed?

- Is the product/service one where having internal expertise would be quite helpful but cost prohibitive? (The option of having loaned FTEs as part of the agreement is behind this question.)
- Are their criteria to be considered, such as 3rd party vendor certifications, management team location, ownership, etc.?
- If technology based, how important is it to have the flexibility to change or upgrade on a rapid schedule? This goes to what protections you build into the contract, which is governed to some degree by the vendor's marketplace clout.

Vendor Assessment Challenges

Next is accurately assessing the vendors which can potentially meet the defined needs. (We say potentially because there are times when you can take a vendor beyond their currently stated capacities with a high degree of execution with minimal cost increase, as part of a leveraged agreement.) This is the time to look for areas of overlap. Earlier we mentioned being watchful for areas of interdependence. If vendor A can also do what vendor B does, even if not as well but it eliminates an interdependence exposure, it is worth exploring. By virtue of scale of business and negotiations, you may be able to end up with a stronger solution overall.

> A note on reducing vendor footprint in the IT space: for years, those responsible for IT infrastructure have for years used a single vendor for assured interoperability, etc. Given advances in the space, some are exploring some of the old-school benefits of bringing in more vendors, such as price shopping, best-of-breed, etc. A reference point article can be found at InformationWeek, 4/23/20 article by Andrew Froehlich.

Another area of interdependency is the degree to which the vendor must rely on your inputs, your expertise. This includes not only their ability to interface directly with your organization but can also impact their ability to interface with other vendors in your environment. For example, Vendor A fails because Vendor B information was faulty, you likely suffer more than either vendor. Your ability to manage these interdependencies can be significantly enhanced by virtue of broadening the scope of a vendor to replace one or more other vendors. This also is one way to gain greater commitments from the vendor in the area of Service Level Agreements as they now see their success is less dependent on 3rd parties. This approach also can have a positive impact on lifecycle management, not to mention initial cost and post-cutover support as the vendor is engineering and supporting from a single pane.

Benefits:

1. It helps you leverage your total spend. Let's face it, there's a difference in vendor responsiveness and client prioritization based on the client's spend. This leverage can be used for reduced cost as well as many other points of value to you.
2. Improved morale.
3. Reduced financial risk on multiple levels.
4. Potential for gained competitiveness in your marketplace.
5. Reduced contract administration cost.
6. Potentially reduced costs associated with organization downtime.
7. Potentially reduced HR cost by virtue of cross training and/or reduced FTE requirements.
8. By having a single provider responsible for the entire solution, the design, implementation, support and lifecycle management is done with a view of the entire system and the piece-part interactions vs. in silos, providing better design, efficiencies and costs.
9. By reducing vendors in areas of interdependency, there is reduced likelihood of vendor finger-pointing.