

MITRATECH

Optimize Your Business with Automated Vendor Management

How vendor management
software can help you create
sustainable risk management



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01

The evolution of vendor management

Origins & boundaries



Where VRM began

Today's multifaceted vendor management process has a complex development history. As sourcing matured into a strategic business discipline, vendor management was born.

Sourcing taught organizations to control costs and set expectations for vendor performance on the front end of the relationship: during the vendor selection process.

Vendor management evolved out of the growing necessity to: monitor contracts, track service level agreements (SLAs) and ensure that vendors completed the services and achieved the performance standards in the contract. Sourcing teams quickly learned that many of these items must be negotiated at the beginning of the relationship.



What VRM needs to be successful

Enterprise-wide support from every tier of organization:

- Sourcing
- Procurement
- Risk & Compliance
- IT
- Information Security
- Disaster Recovery Planning
- Finance & Accounting
- Retail
- Operations

Facilitate organizational needs:

- Vendor research and selection
- Vendor evaluation and due diligence activities
- Contract development, monitoring and alerting
- Multidimensional risk assessment
- Performance measurement and SLA monitoring
- Market news monitoring
- SOC 1/SOC 2 and other Due Diligence reviews and monitoring
- Business risk and business trend monitoring

Trend away from traditional sourcing model

Much of the risk involved in a vendor relationship can be evaluated from information revealed during the vendor evaluation, selection and contracting activities. Naturally, vendor management begins during sourcing, when this information first becomes available.

Vendor management — especially its risk components — has consequently surrounded the traditional sourcing model. Previously, vendor management was purely cost-focused. Today, VRM is its own discipline, encompassing:

- Risk management and controls, due diligence reviews and risk monitoring
- Setting and monitoring expectations for reliability
- Performance against contracts and SLAs



Primary objectives of vendor management

A healthy vendor management program helps your organization manage three vendor domains. Within each domain, VRM monitors your vendors that provide services, manage data, deliver products, offer software and hardware or outsource critical business functions. The three domains are:

RELATIONSHIP

Knowing your vendors: their contract details, what services they provide and the hierarchy of importance to your business

RISK

Understanding their risk profile: information security strength, financial strength and financial health

PERFORMANCE

Measuring your vendors' performance: their adherence to SLAs and other key metrics



02

Business problems
drive need for
vendor management
automation

The landscape



Six common plagues for VRM

Nearly all organizations face at least one of these six challenges:

1. TIME AND MANPOWER

Not enough time or manpower to properly carry out vendor management activities. These range from extensive due diligence reviews to vendor monitoring and performance management.

2. INCONSISTENCY

Performance and SLA monitoring is inconsistent at best and often performed manually.

3. RATING MODELS

No standard risk rating model that can be easily applied to all vendor relationships.



Six common plagues for VRM

4. VISIBILITY

A lack of visibility into the contractual obligations of vendors and the company. These include key notice dates and automatic renewal dates.

5. MANUAL EFFORT

Extensive manual effort is required to maintain and manage the collected information. Collection and analysis of this documentation is essential and pertinent to the proper governance of vendor relationships.

6. LOW PRIORITIES

Vendor management is not prioritized by management. Consequently, employees are not held accountable for the timely and proper completion of assigned tasks within the vendor management process.



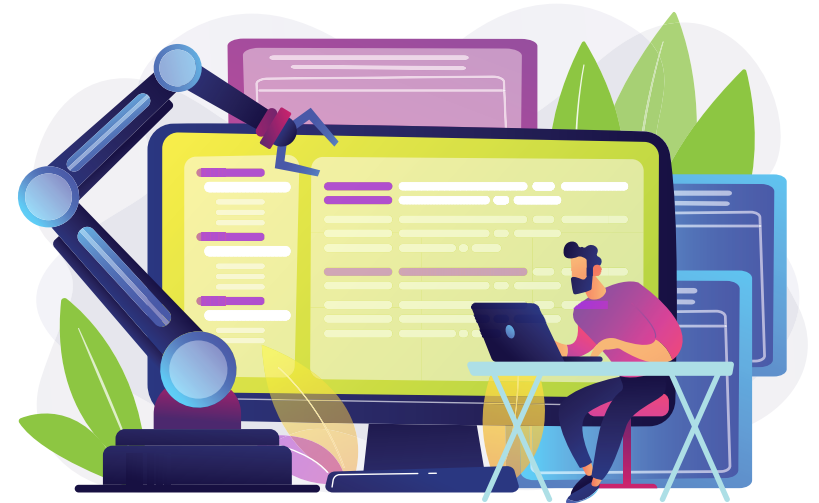
Automation offers a solution

Did one or more of those challenges resonate with you? Don't worry — there is a solution.

Each VRM business challenge can be alleviated by automating your vendor management program:

- Better access to information
- A centralized repository of vendor information
- A consistent methodology for vendor assessments
- Improved workflow with enhanced visibility, oversight and control

Next, let's break down the savings and cost-benefit.



03

Savings and cost-benefit breakdown

Classification and quantification of benefits



As easy as A, B, C

Fortunately, vendor management is not just an added cost to an organization—there are tangible business benefits and savings. Regulatory compliance and real business benefits complement one another! A strong vendor management program delivers benefits across three dimensions:

ACTIVITY AND PRODUCTIVITY BENEFITS

Easier, faster completion of required tasks and activities improves resource utilization and lowers personnel costs

BUSINESS BENEFITS

Improved visibility and reliability of management information facilitates strategic and daily business decisions

COMPLIANCE AND RISK BENEFITS

Policies and procedures, and legal compliance, are consistently and formally met



VendorInsight gives you positive ROI

Use automation in your vendor management program to deliver ROI for your organization.

\$60,404 - Employee salaries & hours

- Eliminating Program Administrator FTE
- Reducing hours spent by Contract Owners and Managers
- Reducing hours spent by Finance personnel in reviews

\$23,122 - Contract

- Avoiding contract pricing increases
- Reducing automatic contract renewals
- Reducing time spent sourcing & preparing RFPs



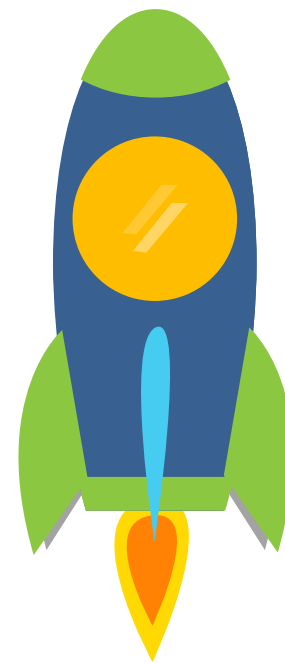
VendorInsight delivers positive ROI

\$20,461 - Legal & compliance

- Automating workload for vendor compliance management
- Streamlining contract legal reviews
- Eliminating time spent in research for regulatory awareness and program upkeep
- Saving hours in audit examination

Result: \$103,987

Annual Savings



Assumptions

Cost savings estimates, based on metrics developed by UBSI and validated by industry research, present a conservative ROI calculation for savings in several categories.

Number of expected vendor contracts managed: 175

- Average annual contract value: \$47,500
- Average contract length (frequency of renewal): 3 years

Percentage of contracts renewing that require RFP/negotiation: 20%

Frequency of audit or examination: 12 months

Total compensation (salary & benefits):

- Administrator/supervisor: \$36/hour
- Manager/legal: \$55/hour



Assumptions

The savings summary on the previous page illustrates that a vendor management system easily provides **annual benefits that exceed the cost of the system itself**. That includes setup and training. The Internal Rate of Return (**IRR exceeds 300%**) with quantifiable financial benefits. There is also **reduced enterprise risk levels** accompanied by a **significantly improved risk management position**.



04

Conclusion



How do VRM solutions “do it?”

- Automated vendor management systems—especially the class-leading solutions offered by reliable, established companies—can be easily and quickly implemented in less than 30 to 45 days.
- They utilize internet-based, SaaS strategies. These minimize costs and employ the latest technologies.
- They deliver benefits and productivity improvements that enable employees to focus on higher-level work, and also provide an Internal Rate of Return of more than 300%.
- They provide a scalable platform to that can adapt and grow over time. The program evolves with you as your company grows or expands, as new vendor management best practices evolve, or as new requirements are imposed by regulatory bodies.

How do VRM solutions “do it?”

Your company is unnecessarily exposed to risk without a leading automated vendor management program in place. You need the right solution to ensure consistency and proper execution of vendor management policies, controls and good practices.

The analysis shows a strong hard-dollar financial return and promises reduced risk, improved compliance, increased productivity and better management information and reporting.

Simply put, using an automated vendor management system just makes good business sense.



About Mitratesch

Mitratesch is a proven global technology partner for corporate legal, risk & compliance, and HR professionals seeking to maximize productivity, control expense, and mitigate risk by deepening operational alignment, increasing visibility and spurring collaboration across their organization.

With Mitratesch's proven portfolio of end-to-end solutions, organizations worldwide are able to implement best practices and standardize processes across all lines of business to manage risk and ensure business continuity.

For more info, visit: www.mitratesch.com

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