

The Ultimate Guide to IT Vendor Management



For years, companies have been struggling to keep IT budgets as low as possible to create space for innovation. The modern, ever-changing market requires fast digital transformation, further unhinging companies' already precarious financial situations.

The good news is that by reassessing their IT vendor portfolios, companies can save costs and considerably improve their inner workflows.

On average, organizations are using more than 10 vendors for a single project in addition to managing hundreds of vendor relationships across the business. Companies know all too well that coordinating partnerships with multiple unrelated IT vendors is time-consuming. On top of that, they also have to deal with multiple licensing contracts, excessive employee spending, and security flaws. Attempts to address these issues usually result in a growing labyrinth of one-off solutions that exacerbate the problem.

What Is Software Vendor Management?

No matter how carefully you manage your business processes, it is difficult to have complete visibility into the inner workflows of your external IT providers, especially when it comes to data security. However, with the right vendor management practices in place, you can transform your vendor relationships from passive business transactions into collaborative partnerships where you are working together to deliver business value.

Since most companies rely on multiple third-party vendors, the challenges accumulate, and managing a large number of vendor relationships can quickly inundate an already overwhelmed IT department. Furthermore, to ensure the finest service, companies should avoid falling into the trap of sticking with current vendors out of convenience, even if they are satisfied with the service or pricing. It's no longer just about pricing. It's all about nurturing vendor partnerships that will benefit both parties in the long run.

On the other hand, when you're running an entire company, finding a single vendor to cover all your IT demand is nearly impossible. So, developing a dedicated vendor management practice can help keep your business and your vendors on track and establish processes for monitoring vendor performance to ensure a fruitful relationship.

Vendor Management Challenges

If you don't pay attention to the vendor relationship, the relationship may crumble. Besides that, IT outsourcing has a high failure rate because of the ever-changing nature of the IT landscape and requirements across the organization. Considering this, vendor management executives confront even more hurdles in managing vendor relationships across the organization.



Lack of Visibility

While a centralized data storage solution is critical for managing vendor data, it also provides the company with a centralized view and increased visibility, which can lead to better resource allocation and efficiency.



Vendor Compliance Risk

When working with vendors, you need to set clear standards for all of your business relationships. That way, if they aren't performing, you can work together to solve the problem. You should also understand that there are no perfect vendors and some may fail to meet your expectations. It is therefore critical to select the right vendor from a pool of candidates who can meet your organization's standards while also providing high performance.



Vendor Data Storage

As your company grows, having a vendor data storage solution in place becomes increasingly important. When you don't have a vendor management system, storing and retrieving data might be difficult, especially if you're dealing with several vendors for multiple projects at the same time.



Vendor Payment Risk

Some vendors may have specific requirements for how payments are processed, while others may have industry standards in place. One of the biggest challenges is figuring out the requirements and ensuring that payments are always made on time, especially when working with many vendors at the same time.



Vendor Reputation Risk

It is no easy task to manage several vendors. Furthermore, the quality of work must be assessed before signing a contract, which can further complicate the process. While some vendors can manage perfectly well, others may show poor performance and undermine your deadlines. As a result, it is essential to conduct background checks and evaluate the skill level and experience of each vendor carefully before any decision is made.

Vendor Management Benefits

One of the key goals and benefits of vendor management is to create a strong dynamic partnership and appoint someone to manage that vendor relationship.

Better Selection

Your company may benefit from a broader number of vendors by developing an effective vendor management approach, which will give you more choices and help lower costs. A bidding battle amongst vendors can bring benefits to your business while also guaranteeing that you get your money's worth.

Better Contract Management

Failure to keep track of data from each vendor separately could result in significant losses for the company. The lack of written proof might make any disputes between you and your vendors time-consuming and cumbersome. Secondly, it leads to unneeded paperwork, which can result in higher expenditures or, in the worst-case scenario, data loss. So, it is critical to devise a vendor management system that can maintain all vendor-related information and provide a centralized view of the current status of all contracts.



Better Performance Management

Implementing a vendor management system will provide you with a comprehensive view of all of your vendors' performance. This might help your company determine what is working and what is not. This, in turn, leads to increased efficiency and improves the company's overall performance.

Better Vendor Relationship

The key to successful project completion is managing vendor relationships. However, managing numerous vendors at the same time is never easy because some vendors may be high-performing while others may not.

When you have a vendor management system in place, you benefit from getting all required vendor-related data at once, which can considerably simplify the decision-making process.

Better Value

A vendor management system's ultimate purpose is to maximize value. As organizations grow, managing vendor information becomes increasingly important. For a long time, vendors have been required to fill out a pile of paperwork when payment is made, in a very inefficient process that often resulted in errors in the information. A vendor management system improves this process. As a result, establishing a vendor management system can result in long-term savings as well as increased earnings over time.

Vendor Management Process

The vendor management process includes several different activities, such as:

Business Needs Identification and Business Case Preparation

Analyze the company's requirements and draft an initial business case that includes costs, timelines, advantages, risks, targets, and options.



First, be as specific as possible when defining your business objectives. To accomplish this, you can use the SWOT methodology. Then, make a list of requirements for vendors. When you know what you want to achieve and have clearly defined performance objectives, it's easier to manage vendor relationships.

It might be difficult for a software development team to know exactly what features and functionality customers need. Based on our experience, we've created a [guide](#) on functional and non-functional requirements.

Offers Evaluation and Vendor Selection

Before selecting a vendor to move forward with, the company usually goes through a lengthy process of evaluating potential vendors to see whether they're a good fit for their needs. This includes engaging with potential vendors and collecting additional information on how well they understand the company's needs, how much their service scope covers, and how much their services will cost.

The vendor selection process also includes requesting quotes and proposals. While pricing undoubtedly plays one of the key roles in the selection process, companies also need to examine other criteria such as a vendor's reputation, capacity, and track record, as well as the vendor's ability to communicate effectively.

Here's our guide to choosing the right outsourced software development partner.

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Contract Negotiation

After a vendor has been selected, the company and the vendor should sign a contract specifying the terms of service and payment. This stage of contract negotiation will ensure that both parties are protected and that they comply with the terms of the contract. A solid contract should be fine-tuned to benefit both parties, mitigate risk and eliminate the possibility of fraud.

Check out more: Custom software development contract: key things to include.

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Vendor Onboarding

Vendor onboarding is critical for vendor relationship management since it defines how successfully the procurer and vendors collaborate and communicate. This process includes verifying vendor information such as banking details, uploading documents, and having your legal team sign off on the validity of those documents. The vendor's team can be officially onboarded into your system once everyone is satisfied with the vendor status and ready to move forward.

Vendor Information Management

Keeping track of onboarded vendors and their associated information is an important step of the vendor management process because many organizations may have hundreds of them. It will be difficult to confidently issue payment if you receive invoices from vendors you don't recognize because their details haven't been stored correctly in your system.

Managing vendor relationships requires keeping critical information about vendors on hand so you have this critical information on hand when you need it. You can program a vendor management system to collect information from your vendors so you don't have to update it manually every time.

Performance Monitoring

You should supervise vendors' performance while you are working with them, no matter whether you are waiting for them to fulfill a buy order or you have a long-term commercial relationship with them. Performance monitoring can help guarantee that a vendor stays a reliable software development partner by keeping track of their activity and ensuring that they are in line with your company goals.

Keeping track of how well your vendors are following through on their obligations under any contracts can help you make more informed decisions about who to work with for future projects. You can use relevant metrics to build an automated vendor management system that allows you to make decisions without having to manually analyze data.

How to Improve VMS

Vendor management is not about using fewer vendors. It is about distributing your operations to a smaller number of partners that can integrate systems and provide you with a clearer picture of your entire IT ecosystem.



Many companies spend an extortionate amount of time requesting quotations, assessing vendors, negotiating licensing contracts, and dealing with software renewals. All of the time wasted on managing vendors could be spent on more important tasks.

Rather than bringing in another vendor with another solution, collaborate with a company that will take the time to learn about your needs and deliberately craft solutions tailored to your needs. With a vendor management system in place, you will notice significant benefits, such as better purchasing power, stronger vendor relationships, faster processes, and more innovation potential.

How to Decide Who Stays and Who Goes?

You've integrated a vendor management system that's optimal for your company. Vendor management, however, does not end with the selection of vendors. There are approaches that can improve the efficiency of your organization's vendor management.

- **Expertise:** Look for vendors who have hands-on experience in similar projects. For example, if a vendor specializes in e-commerce development, it's very likely that its teams can create complex online marketplaces or delivery service solutions.
- **Portfolio and references:** The software vendor selection process should further move on by making a thorough vendor portfolio analysis. The best choice is always an experienced software vendor with a long track record of successful implementations using cutting-edge technologies.
- **Pricing:** While pricing is important, it shouldn't be a decisive factor. The cheapest rates can lead to higher expenditures in the long run. On the other hand, excessively high rates may not always signify quality. Therefore, it might be reasonable to choose software development companies in the medium-price segment.

Here's more information on the software outsourcing vendor selection process and criteria.

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Set Clear Expectations

When working with vendors, it is critical to spell out the company's strategic goals so that the vendors could know the current and future requirements of your company. It will allow your company and the vendors to interact more effectively over time. It also aids in the establishment of standards for vendor performance evaluation.

Check out more: Top 5 tips for a great software development RFP.

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Collaborate With Vendors to Maintain Long-Term Relationships

Simply negotiating pricing and performance with vendors leads to transaction completion. However, collaborating and involving vendors in brainstorming how to meet the goals and expectations leads to the development of beneficial, long-term relationships. Collaboration allows both the company and the vendors to come up with new ideas on how to get the most out of their partnership.

Don't know how to build a successful distributed software development team? [Learn](#) from our experience.

Focus on Long-Term Partnerships

Long-term relationships outweigh marginal cost savings and short-term profits. You can save a little money by switching vendors frequently, but the overall quality of your products or services will likely suffer. Long-term relationships can bring benefits like preferential treatment, access to insider knowledge, and increased trust.

Share Information and Priorities

You are on your way to successful vendor management if you discuss your priorities with your vendors. This does not, however, imply that you should share any confidential information that could jeopardize your company's security. To ensure that your vendors best serve your company's needs you need to give them the right information at the right time, be it a growth plan, new product release, forecast information, or something else.

Get the Best of Vendor Relationship with SCAND

In today's global economy, where economic and geographical barriers are steadily vanishing, businesses have to collaborate with different types of vendors from around the globe. Even if you work with just one vendor, efficient vendor management is critical since its success has a direct impact on your company's performance. An effective vendor management system allows you to supervise several vendors at once and make the most of all your relationships. It allows you to monitor vendor onboarding, assessment, and compliance.



At SCAND, we pay much attention to establishing a transparent process of software development and project management, as well as smooth collaboration between the customer and outsourcing team. We offer the following process of software development outsourcing team:



1.Requirements Analysis

We carefully analyze customer requirements and business goals to provide the best resources. After an in-depth project requirements analysis, we suggest the best team members and the roadmap for the entire project realization.



2.Delivery

We perform both front-end and back-end development, generating the programming code on the previously chosen language or technology.

We provide the customer with reports on each stage of the project development, ensuring everything goes as planned.



3.Testing

Our QA specialists run testing on every development stage, detecting defects, reporting, bug tracking, fixing and retesting, providing suggestions on enhancements.

Project Management

We guarantee mature processes and complete team management. All of our processes and workflows are ultimately transparent. You have utter visibility through communication and project management tools, in addition to report documentation that examines all project activities in detail.

We provide access to our project management system which has a lot of management, tracing, and monitoring capabilities as well as we can use any project management system suggested by the customer.

We always try to integrate our specialists into customers' processes. We have various expertise in any work organization - including Agile, Scrum, Kanban, etc. But if you need help in process improvement we will be glad to help you.

Reporting & Communication

At SCAND we have a standard set of reports we usually use to update clients about project progress, problems that need resolution, available defects, etc.

We provide all means of communication to our clients in English: in-person meetings, phone calls, email messages, instant messages via skype, or else.

- E-mail;
- Instant Messengers (Skype, Viber, Telegram, Whatsapp);
- Project management systems (JIRA, Basecamp, Redmine, etc.);
- Versioning systems (Subversion, git, Mercurial, even CVS - whatever you like);
- Bug tracking systems (Bugzilla, etc.);
- Reporting systems (for keeping track on what is going on and for billing purposes);
- Regular phone/Skype calls and meetings.

We normally use a visiting scheme where both the customer and our engineers meet each other several times during the project lifecycle. Business trips can be performed from time to time to increase the overall efficiency of the process. All business trips shall be validated by the Customer and paid accordingly (for tickets, accommodation).

SCAND offers a set of different engagement models to provide you with the most convenient way of working on your project. We provide a 1-month zero billing guarantee. If you are not satisfied with the result after a month of our work, we guarantee no billing for this month.

SCAND is certified according to the ISO 9001:2015 quality management and ISO/IEC 27001:2013 information security management standards. The requirements of these standards apply to all structural divisions of our organization and are obligatory to all our employees. We regularly undergo security audits performed by the authorized organization.

Feel free to contact us and ask any questions: info@scand.com