

Vendor Management and SupplierVision

As firms reduce their list of suppliers – partly in response to regulatory pressure to manage provider risk – systems, such as SupplierVision, can play a strategic role, says Dean Lumer, a director at technology firm Knadel Software.

THE DISCIPLINE OF supplier management has become more important in the investment management market for a number of reasons. Investment managers are increasingly reliant on third parties for their operations. Driven by rising cost and compliance pressures, they are choosing to focus on their core competencies – stock picking and portfolio management – and outsourcing many of their administrative and operational tasks to specialist

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providers. Consequently there is an increasing realisation among managers that their vendors should be aligned with their own long-term goals and not pursuing their own agenda.

There is also a recognition that vendors and suppliers represent a real business and operational risk. For example, if a major supplier fails, it can result in financial loss, regulatory penalties and reputational damage. The business risk of employing third



parties for material processes has also been recognised by regulators, who are insisting that investment managers have contingency plans in place for their outsourcing arrangements.

Firms now take a more mature approach to managing their outsourcing arrangements. They are no longer focused solely on price and do not see outsourcing as a panacea. Expectations are more realistic on both sides.

Similarly vendor management is no longer solely focused on ensuring daily service delivery. Now it is a more strategic and tactical process that enables firms to use their vendors as a means to support their own business

development – expansion into new geographies, product diversification or an acquisition strategy.

Firms are looking at supplier and vendor management in the same way they view other major exposures, like credit risk or liquidity – on a global and holistic basis, across the enterprise and at a corporate level with the results reported to senior management.

Gone are the days when sales and marketing would announce a major new product launch and leave their unaware colleagues in operations just a few days to frantically ring around their list of vendors in search of a supplier that can meet their urgent

KEY GLOBAL RELATIONSHIPS: Dean Lumer says firms intend to concentrate on the handful of vendors they trust most.

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demands. Now there are carefully plotted project timelines that include the supplier management team from the outset.

Firms are also looking at their portfolio of vendors and seeing a double digit roster of different providers. Aside from the administrative challenge of dealing with that many entities, there is typically a lack of purchasing power. Consequently, firms are looking to reduce their vendor relationships to a handful of key global relationships and adopt a sensible sourcing strategy.

But while the recognition of supplier and vendor management has developed, the systems have not. Investment managers have made do with an informal and ad-hoc collection of manual systems and spreadsheets. This approach

SupplierVision

SupplierVision provides a range of functionality covering contracts management; service delivery management; fees monitoring; risk management; governance, breach logging and reporting; change management; issues and actions management and event notifications such as audits due, benchmarking points reached or contract renewals coming up.

As well as producing reports for senior management, the system can also include interfaces for vendors to participate. For example, SupplierVision will automatically email a vendor about a service issue and the vendor can then either email a response back into SupplierVision or logon and add an update.

SupplierVision can be deployed both locally or globally and with varying degrees of configurability, thereby providing sufficient flexibility within its standard best practice framework.

It is often said that in the financial services world, the operations department of the future will no longer perform its own operational processes (as these will be outsourced) and the IT department will no longer develop its own software (as 3rd party software will be deployed), making these departments redundant. However, this does not mean they will no longer have a role going forward. They will instead be able to focus on more high-value tasks such as operating model and systems architecture design, sourcing strategy development, vendor management and selection, data management, cyber security, risk management and best practice governance. But to reach this point, it is vital that firms consider the use of a proper, robust and proven supplier management system.

is no longer sufficient and firms should look to employ a purpose-made supplier management system.

Such a system will formalise the vendor management process and create an environment that not only makes the process more efficient but also demonstrates the use of best practice for the benefit

of both regulators and senior management.

As John Wright, M&G Director Investment Operations, says: "Good governance and oversight of suppliers is of material importance to our business. A system such as SupplierVision is a valuable tool to help us in this endeavour."

SupplierVision

A comprehensive supplier management system for the financial services industry

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