



with

Return on Partnership

RoP
Whitepaper
series
1 of 7

Setting the scene

Increased reliance on external capabilities both for operational as for transformational services, more demanding customers and the fluctuating economic environment have placed collaboration with external partners at the heart of many companies' growth strategies. Over the last five years, many organizations have placed a major emphasis on cutting costs with their external suppliers, service providers or business relationships. Sustaining these business relationships, whilst sustaining high levels of customer (and end-user) satisfaction, requires innovative thinking to warrant "Return on Partnership". Additionally, as Return on Partnership is the new Return on Investment, innovative relationship management thinking will be required throughout the complete company to involve the necessary C-suite executives and decision makers.

The CPO and partner management

It goes without saying that the Chief Procurement Officer (CPO) is traditionally playing an important role with external suppliers, service providers or business relationships. More specifically, the CPO drives the traditional procure-to-pay process and is expected to:

1. Ensure increased profits with 'more for less': either through reducing costs (negotiations), finding new markets (request for proposals) or increasing market share (category management);
2. Perform supplier management: improve communication with the supply base, identify strategic suppliers vital to the supply chain and improve supplier performance to share subsequent savings;
3. Monitor supplier spent internally and externally:
 - o Internally identify spent progress to minimize unpleasant surprises
 - o Externally issue the supplier purchase orders in relation to agreed business work orders or project charters

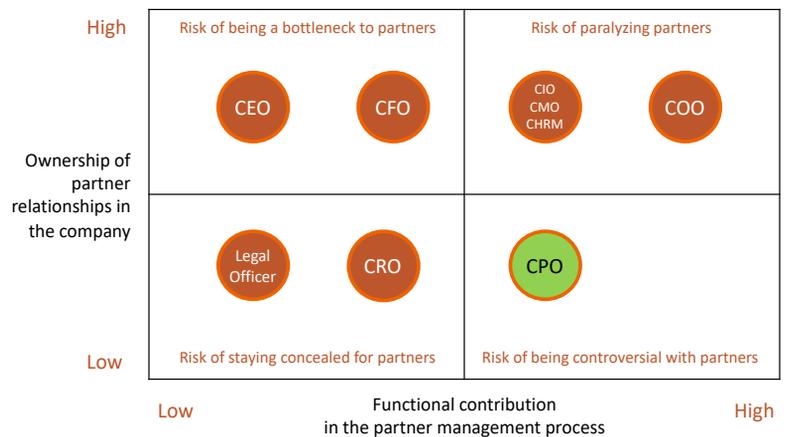
Return on Partnership is the new Return on Investment and requires company wide innovative relationship management thinking.

But when it comes to contributing to Return on Partnership with external suppliers, service providers or business relationships, the CPO has an increased risk of being controversial with such partners for 2 reasons:

1. First, the CPO is *not expected* to take ownership of external relations of the company. Such business relations are typically owned, managed and steered by the contract or relationship owners (like a business unit manager, CMO, CIO, CHRO, etc). Thus, the CPO often is found in a difficult situation to execute sufficient operational and financial impact on these relations without bending or breaking them, resulting in a possible controversial procurement position;
2. Second, it is *mandatory* for a CPO to have a significant contributing role in the functional design and execution of the company-wide partner or vendor management process. Also here the CPO is regularly found in a 'side-line situation' when, once the contract is signed, vital information on the relationship status or health is kept with the contract owners without being transparent, let alone being disclosed back into the company, leading to possible controversial procurement behavior.

Organizations that have invested in setting-up and managing a company-wide vendor management office get their return within months.

Partner Relationship Quadrant for C-suites*



* Partner Relationships are professionals engagements and contractual collaborations to be managed through a vendor, partner or business relationship management process

Realizing Return

Yet, this risk of the CPO being controversial with the organizations' external suppliers, service providers or business relationships can be mitigated and even turned into Return on Partnership. Organizations that have invested in setting-up and managing a company-wide vendor management office (VMO) get their return within months in terms of negotiations efficiency increase, elimination of wasted effort on futile escalations and even get direct gains from better external partner performance, collaboration and trust.

In this vendor management office, the CPO can create Return on Partnership when assuming responsibility for traditional 'shaping' processes from partner selection to signed contract, but equally for the 'execution' processes of relationship strategy, contract governance, contract lifecycle management and this in relation to tracking the service catalogue and monitoring the business case of the external partners.

Additional Return on Partnership can even be created when the CPO discloses its own vital contract repository by connecting it to the vendor management office tooling suite or even establish its contract repository as the starting point for the complete VMO process. This ensures a 'closed loop' information feed from contract signature to contract renewal including all partner relationship activities in-between. Only then, the company-wide VMO can perform well and the CPO can assume its responsibility next to his colleague C-suite executives and decision makers.