

Relationship Management Scorecard

In the current business scenario organizations are facing increased pressure to reduce costs, improve productivity and efficiency. Many of them have chosen outsourcing as an option by leveraging third party vendors to deliver change. This results in an increased dependency on providers to meet organization's business objectives.

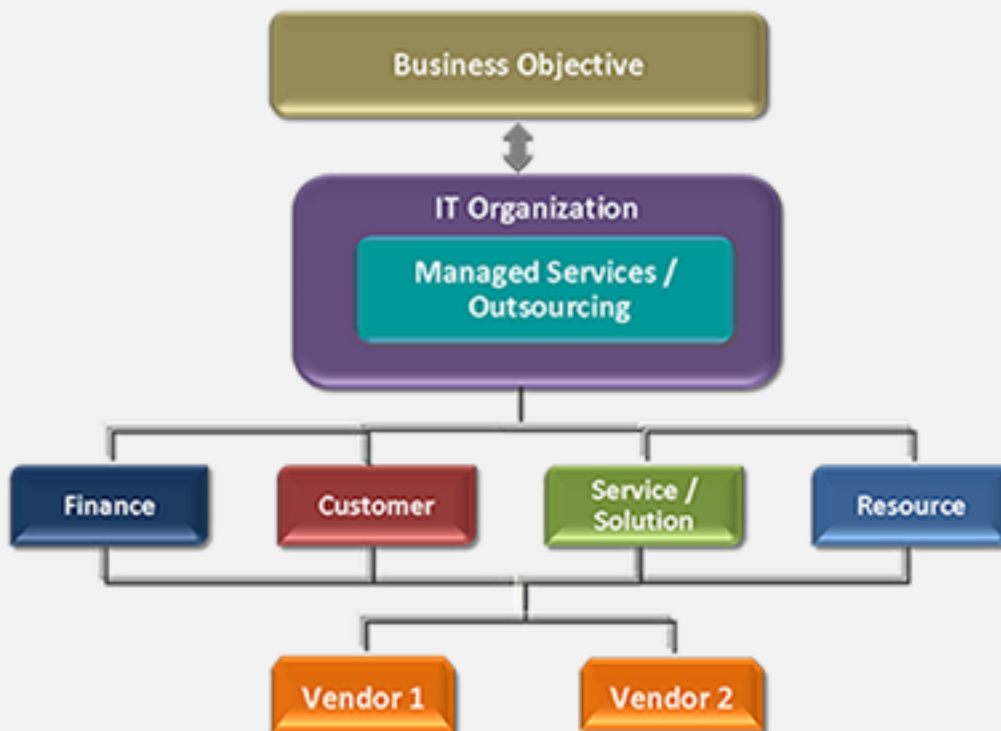
Most organizations end up dealing with multiple vendors when they outsource different processes and functions. Driving vendor performance and relationships becomes critical component of managing overall IT organization's performance.

Organizations are at varying maturity level when it comes to governance of their outsourcing engagements. Mature organizations are moving towards structured vendor management for handling complex interactions with their strategic vendors. One of the key challenges is to demonstrate the value delivered through outsourcing engagement and track vendor's contribution towards achievement of organization's objectives.

The most common way to measure a vendor's performance is via **Service Level Agreements (SLA)** and **Key Performance Indicators (KPI)**. These metrics though highly effective often concentrate on contractual aspect (i.e. measures quantitative value of the vendor).

This creates a disconnect when the Vendor focuses only on meeting SLAs and KPIs while not delivering the promised "value adds" as part of engagement. Thus, the client never realizes the true potential of outsourcing relationship. The vendor is forced to work only on a tactical level and never attains "partner" status.

To measure overall vendor performance, leading organizations are turning to tools for analysis and reporting. The ideal tool captures both tangible metrics and intangible perceptions. One of the most powerful frameworks to achieve this is the **Managed Services / Relationship Balanced Scorecard**



To get a true picture of the relationship both parties should work on transparent measures on all aspects of the engagement. They need to define and continuously improve upon the metrics that measures both quantitative (financial, service delivery) and qualitative aspects (such as vendor flexibility, commitment and learning).

The Balanced scorecard is a structured methodology which provides a means to measure strategic vendor performance. It looks at number of weighted metrics both individually and jointly and gauges how a vendor's performance-to-metrics is helping to achieve the business goals of an organization. The Balanced Scorecard helps to map an organization's strategic objectives into performance metrics.

Benefits of Managed Services / Relationship Scorecard

- Relationship Management Scorecard puts an Organization's objectives at the center of its performance measurement
- Translates the objectives into tangible measures and metrics to manage vendor performance
- Enhance accountability by measuring and reporting on both Client's and Vendor's perspective
- Makes interactions between Company and Vendor more objective and transparent
- Focus on achieving relationship nirvana with your chosen vendor

IAOP Chapter - Outsourcing Tools & Technology Innovation Webinar

Sourcing Gurus recently presented a webinar on **"Use of Tools to Optimize Financial Performance of Outsourcing Contracts / Relationships"**

This Webinar was hosted by **International Association of Outsourcing Professionals (IAOP)** and presented by Kapil Sanghi and Ratish Pandya, Principal Consultants with **Sourcing Gurus**; and Mike Wind, Director, IT with Collective Brands Inc.

Organizations today struggle to effectively oversee outsourcing contracts and managed services. Add on to that, data and metrics provided by vendors is huge, difficult to comprehend and provides little visibility on the exact value delivered. Vendor non-performance is difficult to diagnose and address.

The webinar provided insights on how a "Relationship Management Scorecard Tool" assists CIOs and IT Management Teams in optimizing the financial performance of their outsourcing relationships and effectively overseeing their Outsourced and Managed services.

Mike Wind shared how his organization was using the tool to monitor and manage outsourcing relationship. He also highlighted the fact that in traditional vendor management office a lot of effort is spent to generate and present monthly governance data. Scorecard tool **brings back** focus on analyzing vendor performance and maximizing value for outsourcing engagement. He also stressed that both client's and vendor's perspective should be captured while defining relevant metrics.

[Click here](#) to view the Webinar.

