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About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the Firm primarily serves clients in the healthcare, energy and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at navigant.com.

VENDOR SOURCING AND GOVERNANCE BEST PRACTICES: HAVE THE RIGHT PEOPLE AT THE TABLE (AT THE RIGHT TIME)

With evolving sourcing and vendor management programs, business leaders are seeking significant change in the way they evaluate, structure, select, implement and manage vendor relationships throughout the lifecycle. When embarking upon a vendor sourcing and governance initiative, business leaders ask themselves, "Does my vendor sourcing and governance program appropriately address risk and capitalize on opportunities?" Navigant's experience has shown that vendor sourcing and governance best practices fit into specific themes, and our experts have captured some of our key insights in a series of best practices articles. The first installment focuses on a key principle: Have the right people at the table at the right time. Doing so maximizes the value each of those people can provide. Not doing so could jeopardize the success of your program and/or initiatives within the Vendor Sourcing and Governance Lifecycle (Figure 1).

Including the right people at the table impacts every stage of the lifecycle – Decisions on which opportunities are appropriate to pursue; Stakeholder buy-in on potential bidders; Request for Proposal (RFP) content and scoring criteria; Bringing specific functions (e.g. Risk or Compliance) into the process and defining specific roles; Participation in scoring, site visits, and finalist presentations; Final decision-making; and participation in monitoring programs. In this article, we captured some of the opportunities to mitigate risk and enhance value by including the right people in each phase of the Vendor Sourcing and Governance Lifecycle.

PHASE 1: SOURCING STRATEGY

The importance of creating and maintaining an effective Sourcing Strategy is obvious. Less obvious are the components that make up a comprehensive strategy. A comprehensive strategy is created and updated based on a number of factors, taking into account the needs across the organization. An effective sourcing strategy should take into account efficiency, cost, service, capabilities, among other operational factors. A sourcing event should be able to meet specific criteria that relate to combinations of the work / product types, locations, volumes, and tangible / intangible benefits. The evaluation of a sourcing decision may also be subject to numerous challenges such as economic drivers, in-place agreements, political environments, regulatory requirements, and social concerns. Understanding the business issues and affected areas are critical factors to building a successful Sourcing Strategy, and including the appropriate parties can help achieve exactly that:

- Consult with **Senior Leadership** to provide direction and ensure alignment of the definition of the Sourcing Strategy to business strategy
- Work closely with **Business and Functional Areas** to define core capabilities, design and resource the structure that will support the Sourcing Strategy, and approve processes that will facilitate the execution of the strategy
- Collect feedback and get buy-in from **Business Partners** (e.g. Risk, Compliance, Legal, Finance) to define the interaction / support models and roles and responsibilities throughout the Vendor Sourcing and Governance Lifecycle

One major challenge during this strategy phase is a tendency to gravitate toward senior leadership for guidance. In some cases, leadership will have the expertise, the communication channels, and the time to ensure that the resulting Sourcing Strategy is thorough. However, in the majority of cases, the expertise lies elsewhere, the communication channels need to be established, and leadership rightly relies on others to focus on the creation and maintenance of the strategy. As a result, it is imperative to

invite the expertise to the table in order to design the Sourcing Strategy and the processes to update that strategy.

PHASE 2: ANALYSIS AND ASSESSMENT

While the Analysis and Assessment phase of the lifecycle is highly influenced, even controlled by the Sourcing Strategy, it is imperative to navigate these waters carefully in order to maximize positive effects (e.g. cost savings, efficiency) and minimize risks (e.g. financial, reputational). To identify opportunities as well as potential roadblocks, include people with specific knowledge and perspectives as follows:

- Consult with your **Client-facing Organization** (e.g. Sales, Account Management) to review contractual or business obligations that may prevent work from being sourced
- Include your **Technology Partners** to ensure the infrastructure can support a given solution
- Work with **Risk, Compliance, and Legal** to review audit and third-party licensing requirements, as well as regulatory requirements and approvals

Figure 1: Vendor Sourcing and Governance Lifecycle

SOURCING STRATEGY	ANALYSIS & ASSESSMENT	SELECTION & NEGOTIATION	IMPLEMENTATION	GOVERNANCE & MANAGEMENT
• Develop Sourcing Criteria • Prioritize Opportunities • Document Sourcing Policies & Requirements • Determine Regulatory Requirements • Evaluate Organizational Design & Control Function Support • Integrate Best Practices • Create Center of Excellence	• Assess Operations • Evaluate Technical Infrastructure • Analyze Feasibility • Perform Cost/Benefit Analysis and Develop Business Case • Document Location (To/From) • Assess Strategic and Financial Fit • Consider Cultural Acceptance	• Identify Potential Vendors • Conduct Vendor Intelligence • Gather Requirements • Document Specific Business Requirements and Service Levels • Create and Issue RFP • Evaluate RFP Responses and Select top 2-4 Vendors to Perform In-depth Analysis • Contract & Negotiations • Define Key Performance Metrics • Create Detailed Implementation Plan	• Plan Hiring, Training, & Ramp up Vendors • Baseline Data & Metrics • Manage Knowledge Transfer • Execute Transition • Report Status • Escalate & Solve Issues • Measure Performance & Realize Benefits	• Create and Manage Vendor Governance Program • Report Operational Metrics & Management Information • Conduct Health Check • Remediate Issues / Gaps • Manage Risk • Utilize Continuous Improvement

PROGRAM MANAGEMENT

COMMUNICATIONS TO CONSTITUENTS

- Solicit input from your **External or Customer-facing Organization** (e.g. Corporate Communications) to advise on the political and social environment
- Include any **Central Sourcing Office** to ensure compliance with the Sourcing Strategy
- Engage your **Subject Matter Experts** to advise on complexities of the work

Navigant commonly sees sourcing events that survive to execution, yet fail to meet their financial targets / benefits or experience quality issues. This is generally a result of unrealistic or incomplete business cases and / or inadequate planning during the Analysis and Assessment phase. Involving sourcing professionals, those with experience not only in Analysis and Assessment, but also in Selection, Implementation, and Management, will ensure your business case includes the relevant criteria. These may include realistic timelines for training and implementation, travel and resource expenses for due diligence and transition efforts, and product or service fees based on your specific needs. Additionally, those sourcing professionals will help mitigate the risk of missing tasks during the planning process.

PHASE 3: SELECTION AND NEGOTIATION

The Selection and Negotiation phase might seem more straightforward than the others (because of its technical nature), and in some respects that is true. The technical components present their own challenges, potentially with effects lasting for the term of the relationship. Prior to the formal RFP development:

- Include Procurement to understand to which vendors you should, or may even be required to invite to participate in the RFP
- Connect with Vendor Governance and Management functions to help evaluate existing vendor relationships that can be leveraged
- Discuss with Business Partners to ensure required resources are available

Inclusivity remains important when gathering requirements. Without the various experts having up-front input during the requirement gathering process, their evaluation and scoring of the vendor responses and of the solution design will be compromised, risking either the quality of the review or causing rework by multiple parties. Navigant has observed the following functions, among others, often have a lower involvement level than might be necessary.

- Technology
- Compliance
- Operations
- Training / Knowledge Management

- Relationship Management
- Corporate (e.g. Finance, HR)

Additionally, we have found it pays dividends (e.g. increased process efficiency, removed biases) to establish objective criteria for evaluation (e.g. cost, services, reputation, experience, ease of doing business / transition, service levels, risk) at this point in the process and with all parties represented.

PHASE 4: IMPLEMENTATION

The Implementation phase involves a multitude of coordinated activities to ensure success; therefore, including strong project management resources (PMO) and empowering the right decision-makers are critical. Planning an implementation involves input from large number of resources:

- Consult with **Process Owners** and **Subject Matter Experts** to Identify training needs
- Provide guidance to and request planning information from the Training function, potentially both to support your vendor and to support your ongoing operations' management of the vendor
- Hold discussions with the functional **Quality Review / Assurance Team** to design a program to evaluate vendor ramp up performance, if applicable
- Work with the **operation's Reporting / Metrics Team** to ensure accurate understanding of current metrics and design future reporting as necessary
- Collaborate with Technology to review plan regarding hardware/application installation, interfaces, data, IT security, etc. and testing and to define roles and available support
- Communicate with other, **previously identified stakeholders** to ensure their requirements are met during implementation

Continuous communication with these groups is crucial as a number of them will be executing implementation tasks, but all will have input into the acceptance and go-live process.

Navigant's experience is that in-flight changes to process and technology, while necessary, add substantial risk and complexity to the implementation. Mitigating that risk begins with having the right people evaluate the work that you are expecting a vendor to perform:

- Include **process experts** to ensure the work is thoroughly documented and supported by the metrics and reporting to keep your stakeholders informed on an ongoing basis
- Include **subject matter experts** to test changes to your existing processes or technologies and develop a baseline prior to the vendor implementation

PHASE 5: GOVERNANCE AND MANAGEMENT

While the Analysis and Assessment, Selection and Negotiation, and Implementation phases are generally event-driven or project-based, they are bookended by the Sourcing Strategy and Governance and Management phases, which are both more operational and prone to evolution. In the case of Governance and Management, the members at the table have more permanent roles and, based on organizational structures, that can create both conflicts and opportunities. It is often easier to borrow resources based on a project need than to ask for a permanent slice of a role that is not in your reporting line. In the latter case, roles, expectations, and capacity requirements must be well defined. Without the right people at the table, your Governance and Management program will suffer from inefficiency, the inability to sustain itself, a lack of oversight for "borrowed" functions, and will never reach a state of continuous improvement. To create a robust Governance and Management program:

- Include and inform **Business Owners** as the point of accountability for risks and controls for each vendor relationship
- Discuss trends and issues with **Relationship Managers** to ensure controls are working appropriately and appropriate levels of communication are in place
- Empower **Engagement Managers** with the appropriate tools and lines of communication to effectively manage the day-to-day vendor interactions as well as to plan and execute the vendor monitoring plan
- Engage **Diligence Control Function SMEs** to create mechanisms to evaluate the controls and identify new risks related to the vendor relationship are in place and updated on a recurring basis, based on the level of risk

In addition, the development, transformation, or expansion of the program provides an opportunity for education and engagement across your organization, which will help drive awareness around the need to have the right people at the table throughout the Vendor Sourcing and Governance Lifecycle.

CONCLUSION

Whether you or those you work with view the sourcing program from a financial, strategic, technical, operational, relationship, or risk perspective, including the right people at the table at the right time will maximize opportunities and mitigate risk in the Vendor Sourcing and Governance Lifecycle. The resulting benefits may include better strategic decisions, increased likelihood of achieving business benefits, reducing risks, better coordination and planning, reduced rework, increased efficiency, reduced timeframes, and stronger relationships across the organization and with the vendor.

HOW NAVIGANT CAN HELP

Navigant has deep industry expertise in the Vendor Sourcing and Governance Lifecycle and can provide guidance each step of the way or in designing an entire Vendor Sourcing and Governance Program. We have deep and diverse backgrounds spanning multiple industries and sourcing destinations. As an objective advisor, Navigant provides the following benefits:

- Expert, objective advice
- Proven methodologies / approaches and tools
- Confirmation of the decision to source a function (Organizational readiness)
- Expedited process
- Less rework
- Better validated business case
- Identification of providers that are best suited an organization's particular requirements
- Avoid typical landmines and pitfalls in the process

ABOUT NAVIGANT'S CONSUMER FINANCE PRACTICE

Navigant (NYSE: NCI) provides a wide range of services, spanning from consulting and compliance to litigation and investigative support, to help highly-regulated industry organizations address their most critical business issues. Our Financial Services consulting practice works collaboratively with banking, insurance, and investment management clients to achieve their business objectives by improving operational effectiveness and mitigating compliance risks. Our comprehensive service offering focuses on our clients' key opportunities and challenges including core business operations, technology, human capital, regulatory compliance, strategic transformations, customer service, and business process outsourcing (BPO). We bring deep industry, consulting and technical expertise, and are known for partnering with our clients to realize their business objectives.

We would like to acknowledge Navigant's Anthony Vitale and Chris Lawrence for their contributions to this document.