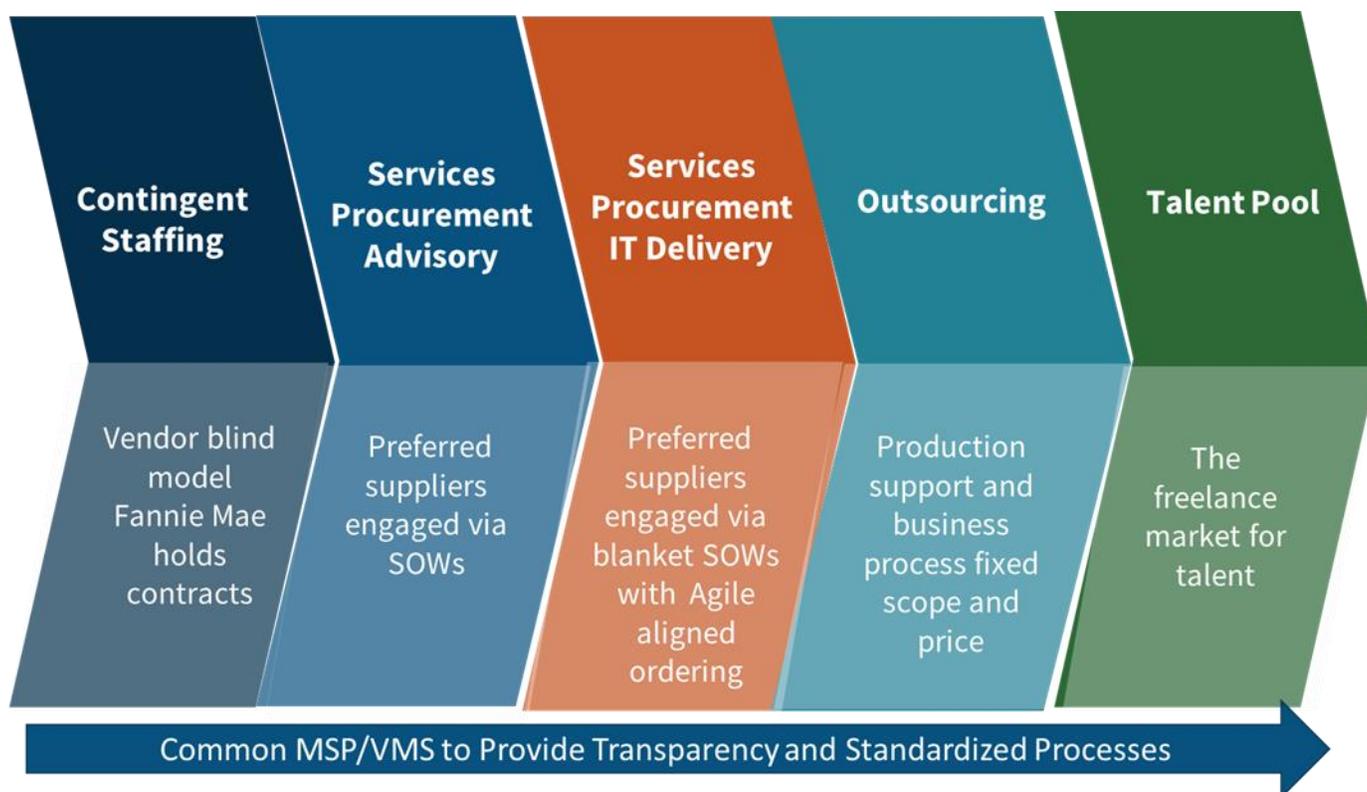


Team Award Finalist Handout – Third-Party Management
“The Power of Portfolios in Third-Party Professional Services”

Professional Services Portfolio Components



About - Fannie Mae and Corporate Procurement

Fannie Mae is a leading source of financing for mortgage lenders, providing access to affordable mortgage financing in all markets at all times. Our financing makes sustainable homeownership and workforce rental housing a reality for millions of Americans.

Corporate Procurement is led by our Chief Procurement Officer and is organized around Strategic Sourcing & Category Management, Supplier Diversity & Compliance, Supplier Relationship Management, and Procurement Technology and Operations. We listen to our customers and partners to understand their needs, putting them at the center of everything we do. We apply our experience and expertise to deliver innovative, smart solutions to influence our external spend and enable Fannie Mae’s strategy.

Why - The Case for Change

When we started our journey, there was no clear vision, and overall strategy, methodology, or fit-for-purpose technology to deliver a billion dollars a year in professional services. We had many hundreds of suppliers and sub-contractor firms providing professional services to Fannie Mae.

We focused purely on onboarding resources. The onboarding of resources was not differentiated beyond rudimentary roles and the segmentation between sources or capabilities of the supply channels were nonexistent.

As Fannie Mae faced the challenges in the mortgage market ten years ago, we accepted that we were unable to provide the level of expertise required at a cost within the required timeframe without help from third-party professional services. Using the wrong tool - or using the right tool the wrong way - was not going to deliver enough change soon enough. We had to change how we thought about third-party professional services. Understanding the problem, while defining the exact support needed, brought significant impact and more efficient and effective use of third-party support.

What - Delivering on the Opportunity

The goals of the project were to put the right people, channels, processes, and technology into place to segment and rationalize our third-party professional services supply base into a powerful portfolio. We needed a portfolio that could deliver staff augmentation, agile delivery in blended teams, large scale accounting and governance projects, and freelance advisory and creative talent at record speeds.

Like any big project we took it one piece at a time:

- **Competitively awarded contracts across all professional services to deliver channel optimization and program consistency.**
- **Leveraged a portfolio-wide MSP/VMS: Customers and suppliers have a common digital experience for onboarding, managing, and off-boarding of all third-party firms and resources.**
- **Transformed suppliers into portfolio partners: We planned collaboratively, positioning our partners to be more effective in delivering skills and resource needs.**

- **Aligned with Agile delivery:** We used blankets SOWs to uncouple contracting from workforce management with a resulting impact on speed to market and resource flexibility for our customers.
- **Adapted to the gig economy:** We have leveraged our technology and processes to tap talent within the creative and strategic advisory freelance resource pools.
- **Enhanced supplier diversity:** Rationalization opened the door wide to 2nd tier diversity.
- **Rebalanced the delivery channels:** We have sought an efficient delivery frontier for the channels through substitution and demand management to improve fit-for-purpose effectiveness and cost;
 - For example, moving long-term delivery project work out of contingent staffing into IT Delivery and moving niche advisory services into the freelance market place.

We measured success using cost reduction; supplier rationalization; sourcing, contracting, and onboarding cycle times; best-fit-for-purpose utilization; and customer and supplier satisfaction.

Here are examples of how we measured success for the program:

- **Contingent Staffing:**
 - moved from hundreds of firms to a dozen firms;
 - went to a supplier neutral environment;
 - eliminated rogue spend, reduced rates for services by 30% and,
 - improved cycle time by a third.
- **IT Services Procurement:**
 - reduced the supply base from 150 to nine;
 - captured 93% of IT delivery spend;
 - provided effective Agile resource delivery; and,
 - achieved over 14% in cost reduction in the first year.
- **Advisory Services Procurement:**
 - shrunk the supply base from 178 to 35;
 - captured 89% of advisory services spend; and,
 - achieved a 12% cost reduction in the first year of channel rationalization.
- **Gig Economy:**
 - adapted to tap talent within the creative and advisory freelance resource pools and reduced our dependency on creative agencies, which significantly reduced creative talent costs.
- **Common Digital Experience:**
 - instituted an MSP/VMS model that drove down business approval cycle times and provided cost transparency, which enhanced substitution between suppliers and channels.

- **Suppliers into Partners:**
 - **planned collaboratively driving increased contract duration, which enhanced resource quality and yielded 5% in first year duration discounts.**
- **Supplier Diversity:**
 - **rationalization of suppliers allowed us to unlock the power of 2nd tier diversity spend, increasing diverse spend in professional services by 4X.**
- **Customer Satisfaction:**
 - **the team “exceeded expectations” in their categories for the last two performance cycles.**

How – The Keys to Success

From the beginning of our journey, the innovations we launched, and their resulting benefits, were intended to enable delivery on Fannie Mae’s vision and strategic goals. Staying close to enterprise goals and helping deliver a successful future will ensure third-party services remain an enterprise priority.

At their core, professional services are enterprise categories with a broad customer base. Throughout the arc of our transformation, the core risks were service interruption of existing professional services and failure to achieve customer adoption. Therefore, as we have organized each channel in the portfolio, we managed customer adoption beginning with the end in mind. We engaged our customers at both the working and leadership levels, incorporated their business goals into our sourcing goals, kept them engaged throughout the sourcing, and celebrated our successes together when we operationalized.

We have established a refresh cycle for each channel that allows us to test the marketplace for new capabilities and adapt to the changing needs of our customers. We will stay close to customers through category management and demand planning processes that align Procurement to customer goals and changes in their requirements. Finally, our leadership is constantly seeking to identify best practices in category management and sourcing processes that we will incorporate, whenever possible.

Finally, the Category Management, Sourcing, and Contracting Team has evolved and developed a strong identity and pride from this journey.

Much of the administrative overhead has been moved or will be moved in the coming year into blanket contracting and MSP/VMS digitized processing. The team has actively participated in growing their work beyond transaction processing to long-term demand planning, customer partnership, and supplier engagement.