



**PDHonline Course P125 (5 PDH)**

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# **Creating a Successful Vendor Relationship**

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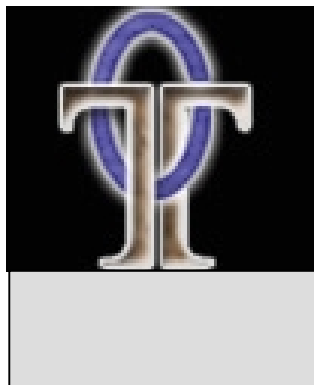
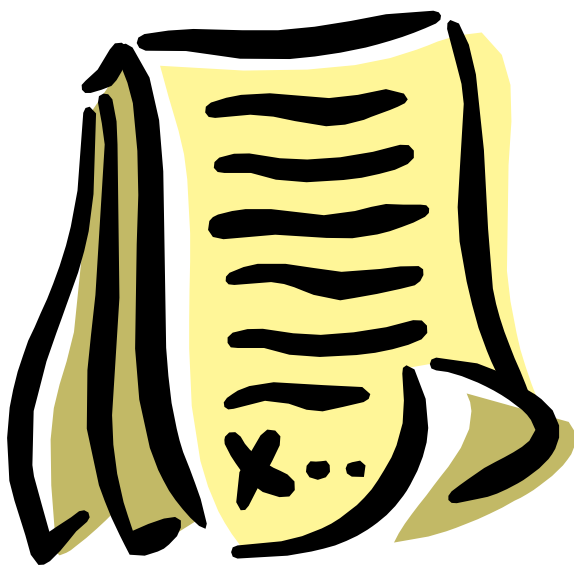
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# Creating a Successful vendor relationship



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## Course Overview

This course will help participants identify what a successful relationship with a service or product vendor would look like and how it could be established. We include suggestions for a *Request for Information* (RFI), a *Request for Proposal* (RFP), and developing measurements for subjective “fuzzy” topics.

It does **do not** discuss developing or negotiating contracts, risk management, nor provide legal advice. Those topics are beyond the scope of this work.

Participants will begin with clarifying their current thoughts regarding vendor relationships and then identifying what a successful outcome would look like. Next is developing a plan to achieve that desired outcome by incorporating that vision into the RFI and RFP and developing a project “scorecard” with subjective and objective measurements.



### -WARNING -

You should be willing to re-think how you deal with vendors if you want to get the most out of this course.

### -Disclaimer -

We realize there are some vendors who use their perceived only game in town position to “hold up” clients at every opportunity. They require CLOSE management and the approach described in this course would not be effective.

However, many other vendors do want to act in a principled, honorable way with clients and this course will help you get the most out of a relationship by **not treating** them the same way you would the hardball players.



## How Do We View Vendor Relationships?



1. How do you think a typical **CLIENT** would respond to these issues *from the client's viewpoint*?

The price for the product or service	
Importance of <u>client</u> problems	
Importance of <u>vendor</u> problems	
Flexibility in contract terms <b>for the client</b>	
Flexibility in contract terms <b>for the vendor</b>	
Commitment to the success of the relationship <b>by the client</b>	
Commitment to the success of the relationship <b>by the vendor</b>	
Procedures for conflict resolution	
Determination of formal and informal communication channels	
Progress toward achieving desired business results <b>of the client</b>	
Progress toward achieving desired business results <b>of the vendor</b>	
Clarification of roles and responsibilities on both sides	
The need for "business solutions" and not just "problem solutions"	
The development of a friendly relationship with their counterpart	
Periodically re-evaluate the nature of the relationship	
A process for on-going learning and knowledge sharing	

2. How do you think a **VENDOR** would expect a **TYPICAL CLIENT** to respond to these issues *from the client's viewpoint*?

Price for product or service	
Importance of <u>client</u> problems	
Importance of <u>vendor</u> problems	

Flexibility in contract terms <b>for the client</b>	
Flexibility in contract terms <b>for the vendor</b>	
Commitment to the success of the relationship <b>by the client</b>	
Commitment to the success of the relationship <b>by the vendor</b>	
Procedures for conflict resolution	
Determination of formal and informal communication channels	
Progress toward achieving desired business results <b>of the client</b>	
Progress toward achieving desired business results <b>of the vendor</b>	
Clarification of roles and responsibilities on both sides	
The need for “business solutions” and not just “problem solutions”	
The development of a friendly relationship with their counterpart	
Periodically re-evaluate the nature of the relationship	
A process for on-going learning and knowledge sharing	

3. Overall, did you slant your comments more toward the benefit of the *client*, the *vendor*, or are they *equally balanced*?

Historically, the viewpoint of “the customer is always right” has led to a subservient mindset between service provider and service buyer: i.e., the *basic commodity-for-cash transaction*. This results in clients and vendors ultimately being less than fully satisfied with their on-going relationship with each other

In today’s world of increased outsourcing, more clients are looking for a richer, more holistic approach to a vendor relationship such as:

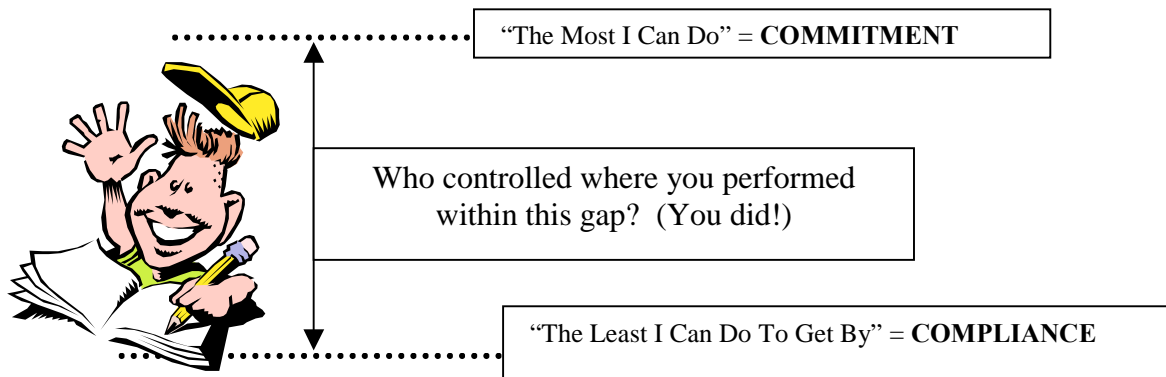
- *A quasi-partnership, team mate role* for a specific project
- *Long-term relationships or alliances* that cover a series of projects
- *Networking relationships* where they pool their talents, match strengths-and-weaknesses, and seek business success side-by-side.

## Exploring the “Customer is Always Right” Concept

We will explore the reasons why this historic concept may not always lead to the results you want with a vendor. Before we do, however, we will examine other familiar situations we have experienced: students and teachers; employers and employees.

**QUESTION:** *When you were in school, did you know the least you could do to get by and not get in trouble at home? How did you learn this?*

**Who influenced the width of the performance gap?** (Typically your teacher or parents)  
**Who controlled where you performed within it?** (Typically you did!)



Moving out of school and into your work life, think about: *Who was the best supervisor you have ever had?*

Their name: \_\_\_\_\_

List three things he/she *did* that make you think they are the best you have ever had.

- 1.
- 2.
- 3.

When they did the things you listed above, *what was the impact on you?*

When they did the things you listed above, *what was the impact on your work?*

When you worked for them, where would you place your work performance on the chart above: closer to the *compliance* or *commitment* level? Why there?

**“WHEN YOUR EMPLOYEES GET WHAT THEY WANT, YOU’LL GET WHAT YOU WANT!”**

---Zig Ziglar  
Motivational speaker



**List four or 5 realistic things your boss could give you right now that would have value for you.** (If you know your boss cannot walk around handing out cash awards or give you a prime parking spot, do not ask for them. List the realistic things you think he or she could give to you.)

**How many of those items you listed have budgetary impact?**

(Probably none because people typically list such realistic things as *respect, trust, a chance to learn new things, not to be micromanaged, a chance for professional development through training or special challenging assignments.*)

**If your boss gave you those things, what would you probably give to your boss in return?**

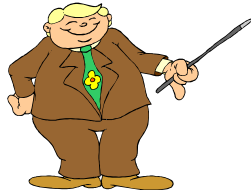
(Probably your “RETURN GIFT” would be work performance closer to the “commitment” side of the gap (this is what they want) on page 6 than to the “compliance” side. This is because giving him/her the performance they want will do the most to insure you get what you want (see above) back from them!)

Using the examples above, *how much does it actually cost to get committed service from employees in most cases?* (Answer = VERY LITTLE!)

How would that **boss-to-employee** situation compare with a **client-to-vendor** relationship?



### The Components of Motivation



Studies have shown that these five elements are most influential in motivating employees. *The more the employee perceives these factors to be present, the greater their motivation to please their leader. This encourages the leader to keep providing these factors!* This cycle creates a productive work environment.



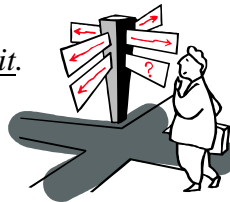
1. Tell me what you expect of me in measurable terms (quality, quantity, time) that reduce the risk of my confusion.

2. Give me a chance to perform (and learn from my mistakes, too.)



3. Let me know how I am doing as I go along... (Remember the report cards you got in school every 6 weeks? You did not have to wait until the end of the year to learn if you had passed or failed the grade.)

4. Give me help and guidance when I ask for it.



5. Reward me with pay or praise when I succeed.

**Put a check in the column if present with the best boss you ever had.**

COMPONENT OF MOTIVATION	PRESENT WITH THE BEST BOSS I EVER HAD?
Tell me what you expect of me in measurable (quality, quantity, time) terms.	
Give me a chance to perform.	
Let me know how I am doing as I go along.	
Give me help and guidance when I ask for it.	
Reward me with pay or praise when I succeed.	

***Many surveys have shown that most employees do not stay with (or leave) their employers; they stay with (or leave) their supervisors.***

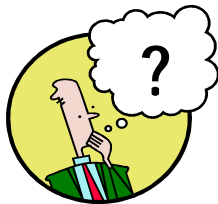
**What do you think about that statement?**

**Could that concept also apply to a vendor's representative and a client's representative?**

### **CONFIDENCE >> COMPETENCE >> PERFORMANCE**

Confidence grows when people:

- Know what leaders expect of them in measurable terms.
- Know what they expect of themselves.
- Know their strengths.
- Know their weaknesses.
- Know where to get help when they need it.
- Constantly measure their own performance against their own goals.
- Expect that rewards will follow achievement.



**Do you think that increased self-confidence leads to increased competence, which then leads to increased performance?**

**Do you see how the leader can influence employee performance by creating a work environment with the five elements of motivation present (page 8)?**

**Do you see how “when employees get what they want, employers get what they want”?**

**Why do you think we are talking about employee motivation in a course entitled “*Creating a Successful Vendor Relationship?*”**

**(Hint – the typical client – vendor relationship is exactly like the employer – employee relationship in the workplace. Therefore, it is possible to apply similar motivation techniques to vendors that we use with employees!)**

## Changing How We Regard Vendors

Look back at your answer to part 3 on page 5. If you are like the typical client who looks at vendor services as a *basic commodity-for-cash transaction*, you probably answered the questions with a strong bias toward the client.

“After all,” you probably think, “vendors of this product or service are a dime a dozen! I am in the driver’s seat. He/she has to make me happy or I’ll look somewhere else!”

Would you take that same idea that *a vendor is just a basic commodity-for-cash so I do not have to worry about how I treat him/her* viewpoint with...

Your doctor?



Your mechanic?



Your lawyer?



Your accountant?

Most people would say something like, “No! They take care of my personal life and would be too hard to replace!”

However, ask yourself if their services-for-money relationships with you are *truly* different from a vendor at work or have you just never thought of them the same way?

If there were a way that you could feel the same about a workplace vendor that you feel about your personal physician, mechanic, lawyer, or accountant, *could that possibly*

1. *Improve the way you deal with the vendor and,*
2. *Possible improve the service that you get from them?*

This is the viewpoint we take with this course: *you can improve your vendor’s service if you will consider improving the way you view them.*

## What Vendors Want

How could Zig Ziglar's statement that "***When your employees get what they want, you'll get what you want***" (page 7) be applied to a vendor?

Why do we think Ziglar's statement is true?



A response from vendors <sup>1</sup> who say they want:

- ✓ **Respect** – The vendors' senior executives want access to their customer counterparts. "If the CIO doesn't want to meet with me, then that's an indication of the value that I'm bringing to the relationship."

(QUESTION: Do you think vendors are reasonable in wanting that? Why?)

- ✓ **Consistency** – Vendors know that some of them are treated as commodities and others as partners and they understand that. ***However, what they do not want is to be treated one-way one day and the other way the next.*** That inconsistency causes many problems.

(QUESTION: Do you think vendors are reasonable in wanting that? Why?)

- ✓ **Guilt-free profit** – Vendors need to make a profit, too, if they are to stay in business and support their clients. If deals are only structured to benefit the customer (look back to page 5), then do not expect the vendor to invest their best resources in the account.

(QUESTION: Do you think vendors are reasonable in wanting that? Why?)

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<sup>1</sup> CIO Magazine, August 1, 1998 *Special Report – For Better or Worse*

## Complaints about Vendors



Typical complaints from clients about vendors:

1. They are always selling, never solving
2. It's always about them, never about us
3. They bombard us with much-too-complicated billing and labor intensive account-relationship trivia
4. Once the contract is signed, the relationship changes dramatically
5. The highly-qualified consultants that helped close the deal are suddenly unavailable
6. The vendor blames you or your staff for the failure to show progress
7. The vendor bills plenty of hours but actual progress doesn't occur

Take a few minutes to consider each of the statements above and answer these questions about each one:

- ✓ Do you think the statements are, for the most part, accurate? Why?
  
- ✓ What may be some common reasons *among all of the statements* that may explain why vendors act like that?
  
- ✓ Do you think clients do anything to create an environment that would cause problems like those? If so, what do they do?

## Starting with the Outcome

*"You've gotta have a dream  
If you don't have a dream,  
How you gonna have a dream come true?"*



-Rogers and Hammerstein's *South Pacific*

Before you start looking for a vendor for your next outsourcing project, take some time to visualize what you want the relationship with that vendor to look like, act like, feel like, and sound like.

As strange as it may seem, those Rogers and Hammerstein lyrics from *South Pacific* can apply to the business world when considering a relationship with a vendor: *if you don't have a dream, how you gonna have a dream come true?*

We begin by thinking about a “dream” relationship with a vendor. Collect your project team (or the key people who will have a say in the vendor selection and managing the relationship) and brainstorm these questions. (Remember that in brainstorming there are no value judgments made about responses. Just collect the ideas and evaluate them later.)

1. What kind of **SOLUTIONS** (not deliverables) do you desire regarding these issues? Hint – a successful *relationship* with a vendor, a friend, or a spouse involves much more than just the product.
  - a. Billing statement format and accountability
  - b. Missing deadlines (such as product delivery [vendor] or payment [client])
  - c. Resolving issues not specifically addressed in the contract
  - d. Scope changes made that were not properly authorized first
  - e. Oral, verbal, and written communications between vendor and client
  - f. Replacement of project team members if requested by “other side” (If the vendor’s representative had problems getting along with their client counterpart, how would this be resolved?)
  - g. Educating each side about the other’s values, concerns, and aspirations

2. What kind of different tasks are you *and they* involved in if you had a dream relationship with them? (Such as sharing employee development opportunities and costs)
  
3. What kind of reporting would you want from them *and what would you be willing to give to them?*
  
4. Looking back at the five Components of Motivation on page 8, how could you include them in a relationship that would encourage a vendor move closer toward the “committed” side of the performance gap than to the “compliance” side? (Page 6)
  
5. Review your thoughts on typical vendor relationships on pages 4 - 5. How much would you be willing to rethink the way your organization deals with vendors so that your comments were *balanced between the client and vendor* instead of tipped to favor the client?
  
6. How can you handle scope changes so they do not become a source of contention in the relationship?

7. Are the desired products or services from the vendor *tactical* or *strategic*? Which is best for your situation? (Are you more concerned with *what* they can do -strategic- or *how* they will do it -tactical?)
  
8. What behavioral traits would you want in the ideal vendor representative? What kind do you think they want from the client's representative? (If you doubt the importance of the representative, look back at page 9)
  
9. Southwest Airlines (the only profitable major airline in the US) uses this to guide their hiring - "***Hire for Attitude, Train for Skill.***"

Why would that be a smart approach to hiring in a service-related industry?

(A customer-focused attitude is essential in a service industry like the airlines. People are born with that attitude, it cannot be taught as technical skills can. Southwest admits that while it can teach technical skills such as ticketing, cabin service, or baggage handling, it cannot teach people to be caring and concerned about their customers.)

How could that same philosophy be useful in selecting a vendor?

(Time spent searching for a vendor AND THEIR REPRESENTATIVE who is genuinely focused on providing customer service before haggling over deliverables will provide a stronger, longer relationship. CAUTION – the client must be equally dedicated to the success of the vendor or this becomes too one-sided and will deteriorate.)



## Developing the Foundation for a Relationship

Let us take a moment to summarize where we are:

1. We suggest that a vendor is actually no different from an employee of our organization (employees and vendors are paid to perform specific tasks.)
2. The employee/vendor – *not the employer/client* – determines where they work within the performance gap (page 6)
3. There are some specific techniques that can be used to motivate employees (page 8)
4. We can choose to view vendors like we do professionals in our personal lives (page 10)
5. Vendor wants and needs, from a business perspective, are not really much different from ours (page 11)
6. We can describe what we would expect in a “dream” relationship with a vendor (page 13)
7. We can use that description (# 6 above) as the foundation of our strategy if we are willing to take ***an unorthodox approach*** to dealing with vendors.



Do not be too quick to disregard an unorthodox approach to solving a problem. Take a moment to consider the history of 3M “Post-It Notes”

Everyone knows what Post-it notes are: They are those great little self-stick notepapers. Most people have Post-it Notes. Most people use them. Most people love them. However, Post-it Notes were not a planned product.

No one got the idea and then stayed up nights to invent it. A man named Spencer Silver was working in the 3M research laboratories in 1970 trying to find a strong adhesive. Silver developed a new adhesive, but it was even weaker than what 3M already manufactured. It stuck to objects, but could easily be lifted off. It was super weak instead of super strong.

No one knew what to do with the stuff, but Silver did not discard it. Then one Sunday four years later, another 3M scientist named Arthur Fry was singing in the church's choir. He used markers to keep his place in the hymnal, but they kept falling out of the book. Remembering Silver's adhesive, Fry used some to coat his markers. Success!

With the weak adhesive, the markers stayed in place, yet lifted off without damaging the pages. 3M began distributing Post-it Notes nationwide in 1980 -- ten years after Silver developed the super weak adhesive. Today they are one of the most popular office products available.

<http://www.3m.com/about3m/pioneers/fry.jhtml>

## RFIs, RFPs and Teambuilding

This course is designed to present broad guidelines for a new approach to creating a successful relationship with vendors. It is not intended to be a procedural guide for developing RFIs, RFPs, or contracts because there is plenty of information about those topics already in the marketplace.

We believe in the premise that if you help people clearly understand the “why” of something, they can figure out the “how” that is best for them.

### The Request for Information (RFI)

We believe the foundation for a successful relationship with a vendor begins with the **Request for Information** (RFI), which includes the strategy we describe in this course.

The RFI is used traditionally when a potential buyer needs to determine what is available from suppliers who may respond to it. Additionally, buyers can use this to determine whether their expectations are realistic and if solutions exist in the market place. Finally, it also gives potentially interested vendors a chance to influence the Request for Proposal (RFP) that follows by pointing out potential problems or unrealistic expectations (as written) that may prevent anyone from bidding later.

Vendors responding to the RFI are probably following the old supplier adage, *“If you don’t help write the RFI, don’t bother with the RFP!”*

## The Request for Proposal (RFP)

A RFP can be many things to many people. An IT client seeking a software solution may structure it differently than a government agency looking for a food service provider. Regardless of the nature of the writer's industry, the common elements of a typical RFP include:

1. Allowing a buyer to notify the market of its desire to obtain new technology or services, lay the foundation for the project that will deliver the technology or services, and manage the project itself
2. Forcing suppliers to create competitive solutions for the buyer's problems
3. Providing a common base of requirements for all bidders thus reducing the potential for claims of unfair competition from losing bidders
4. Making it easier for the buyer to understand the differences between bidders

## Teambuilding with a Vendor

Our unorthodox approach to developing a successful relationship with a vendor is very much like designing a *teambuilding* activity. (When you think about it, a client-vendor relationship IS ALL ABOUT TEAMBUILDING!)

When a teambuilding facilitator is asked to develop some teambuilding activities to encourage groups to work together better, some of the first questions asked are, "What will success look like? What are your interests and concerns? How will you know that I've earned my fee?"



Questions like that force the potential client to think in terms of *interests, needs and services* rather than *specific deliverables*. In other words, **the client becomes more concerned with allowing the expert to provide a solution to their pain and problems than with the deliverables needed to provide it.**

Think about this.....

When visiting your dentist for relief of a toothache, are you more concerned about relieving the pain or how it is done and at what cost?



We become less concerned with price when more of our needs and interests are being met.



*“If that’s true, then why do so many RFPs focus on deliverables?”* you ask.

The reasons are simple yet difficult to overcome:

- ✓ The client knows his/her needs better than the vendor and then makes the natural leap to specifying what he/she thinks is the solution for that need.
- ✓ There is a natural distrust of “outsiders” and we do not want to give them any more latitude than necessary for fear of paying too much or being at their mercy.
- ✓ It is how we have always done business with vendors.

Now let us go back and look at those same reasons from a different perspective.

- ✓ *The client knows his/her needs better than the vendor ... We agree and do not argue with this part!*

*“...and makes the natural leap to specifying what he/she thinks is the solution for that need.”*

Here is where we disagree! If the client had a toothache, would he tell the dentist how to provide relief? Of course not! Likewise, if we consider potential vendors to be experts in their fields instead of just commodities-for-cash, then we must allow them to suggest a remedy for our organizational pains. (It is still our choice whether to accept that advice!)

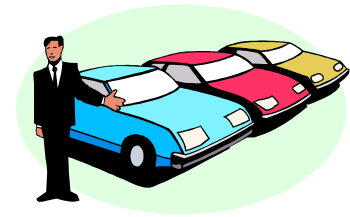
We cannot expect them to provide expert advice and help for us while treating them like a necessary evil that we must endure while getting our problem solved.

(Would you treat your dentist that way?)



- ✓ *There is a natural distrust of “outsiders” and we do not want to give them any more latitude than necessary for fear of paying too much or being at their mercy.*

Here, again, we disagree with the traditional approach to dealing with vendors. Think about buying a car. For many people, this is an activity to be avoided at all costs because *we are afraid of paying too much and being at the mercy of the salespersons.*



However, suppose we prepared ourselves better for the car-buying experience by doing some homework first before we stepped on the car lot.

We can take time ahead to:

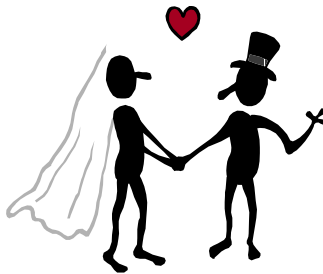
1. Define our interests and needs so we can say “No” when a salesperson tries to lead us down a path that is not best for us.
2. Determine what “success” looks like in terms of down payment, monthly payments, interest rates, and options instead of allowing the salesperson to push us.
3. Learn more about dealer costs via some ‘Net surfing to give us more options for striking a satisfactory deal.

4. Learn how many different manufacturers and models would provide the “transportation solution” we are looking for so we do not feel trapped by any one dealer.

We gain confidence and power with knowledge of our needs and options. Suddenly, the sales representative is not so intimidating any more! Why should we not take that same approach with a potential vendor?

- ✓ *However, are you saying that we should NOT focus on deliverables, terms, conditions, and cost but only on our interests?*

Of course not! But if you focus **MORE** on defining “the dream” (page 13), sharing that definition with your vendor, and getting your *dream satisfied* and less on deliverables, you have a greater chance of a satisfying relationship with your vendor. The more satisfying your relationship becomes, the stronger your links to each other’s success and the greater the chance to avoid expensive disputes.



Think about this.....

**Can marriages with pre-nuptial agreements have much hope of success? It seems that when participants in a relationship focus more on the terms and conditions of it than on its ultimate success, they practically invite disaster!**

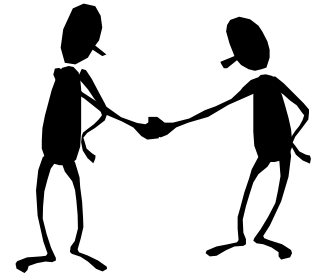
The relationship that we are describing here with clients and vendors is a *quasi-marriage* where both sides share common interests and work with each other to achieve them. The synergy resulting from their mutual effort is greater than the combination of each of them working alone.

## Getting Started on a New Relationship

This is how we would develop the foundation for creating a successful relationship with a vendor. Please realize that we do not suggest it will work perfectly the first time, every time, or any time! It is just an option to consider if you want to improve your traditional relationship with vendors. Every successful relationship requires effort from all participants *with an eye on a satisfactory, rewarding outcome.*

This learning experience will inevitably encounter setbacks as well as successes. Each participant may have a different view of what satisfaction means to him or her but as long as it does not come at the expense of the other, there is no reason why it should not be achieved.

If each believes he or she can trust the other and they share a mutual desire for a profitable relationship, the natural give-and-take, trial-and-error learning process will help them succeed.



## Developing the RFI

This is how we would develop the Request for Information. More information about the RFI is on page 17.

## Traditional RFI Elements

Companies traditionally include (at least) these elements in their RFIs to suppliers:

- ⊕ Boilerplate statements about the buyer, the intent of this RFI, desired topics for inclusion in any responses from suppliers, and typical legal disclaimers
- ⊕ A list of the major issues (technical, social, legal, etc.) confronting the buyer for which this project is a response
- ⊕ A list of unique or specific requirements tied to this project
- ⊕ Anything else to help the buyer explain what they seek or for interested suppliers to understand what the buyer wants

## Non-Traditional RFI Elements

We suggest wording like this in the buyer's writing style to notify potential suppliers that:

- The buyer is interested in using *non-traditional relationship management practices* to create a successful *and enduring* relationship with the successful bidder.
- The buyer will work with the successful bidder in a teambuilding environment to create a framework for successful relationship management for both parties.
- The buyer is interested in developing a progressive payment-for-services scale tied to a range of service delivery from *least required by contract* to *beyond expectations*.

(Note: This 'progressive payment-for-services' is valuable for these reasons:

- It removes much potential for confusion and subsequent argument by clearly defining in measurable terms of quality, quantity, and times (see *The Components of Motivation*, #1, page 8) **an acceptable performance range** within which to pay the vendor. The better the product, the better the pay. It eliminates the "all-or-nothing" concept that causes so much friction in traditional relationships.
- It allows the vendor to determine how much they want to be paid in relation to how much above the least acceptable performance they want to deliver. This way, they can put more profit control into their own hands if the client is willing to pay more to get more above the least acceptable.)

## Developing the RFP

We take the position that a Request for Proposal (RFP) should reflect the knowledge gained from supplier response to the RFI as well as the information normally found in a well-written RFP.

(Page 18)

As mentioned earlier, this is not a course about writing proposals but rather explanation of how a teambuilding approach can create a successful relationship with a vendor. Therefore, we will now turn to developing the teambuilding foundation.





## Developing the Teambuilding Framework

Although this course is centered on building a successful relationship *once the vendor has been selected*, there are a few things to consider when selecting a vendor to work with you from a teambuilding perspective.



**NOTE: We assume you are confident of your ability to select a vendor who can provide the service or product needs that originally spawned this project **WHETHER YOU CHOOSE TEAMBUILDING OR NOT.****

These guidelines will help you select a teambuilding partner who can also provide the service or product you require.

Ask potential vendors to describe their experiences or knowledge by describing past situations such as:

- ✓ **When they worked with a client to develop mutually satisfactory methods of dealing with situations that were not covered in their contract** (This will help you determine whether they are solution or contract focused. Obviously, the contract should be referenced regarding major issues but how do they see smaller, non-specific issues? Is their first question, “Is this reimbursable?”, or is it “How can I help?”)
- ✓ **Denied a client request while retaining good will with the client** (Although clients would always like to hear “Yes” when asking for something not in the original project scope, they also realize they may not always get it. A vendor who can demonstrate diplomacy while saying “I’m sorry but I cannot because...” will be a better candidate for successful teambuilding than one who just says “No” without an explanation.)
- ✓ **Behaviors of the best client they ever worked with and why it was successful.** (If they can describe the behaviors instead of personalities, it gives you something to consider adding to your relationship with them.

This reply is about behaviors: “*They gave us priorities when it looked like we would not be able to handle events which were not anticipated by either side. This helped us focus on the most important issues first.*”

This is about personalities: “*They were a very professional group with whom to work.*” It tells you nothing about what they did to be seen as ‘professional’.)

- ✓ **Behaviors of the worst client and why it was not successful** (This is the inverse of the previous question. It gives them a chance to draw distinctions between the good and bad and allows the potential client a chance to consider if any of the behaviors mentioned describe how they typically behave with vendors. This would give the potential client a chance to reflect on a truism of organizational behavior: “**You can’t do things the way you always have and expect different results!**”)
  
- ✓ **Non-traditional methods of evaluating performance by a client** (This demonstrates their willingness to consider non-conventional methods and focus on solutions instead of contractual limitations. Once again, we do not mean the contract is not important! It is the foundation for the relationship. However, some solution-focused vendors say, “Since the contract does not say we CAN’T, let’s give it a try!” while obstacle-focused vendors will reply, “Since it doesn’t specify we CAN do it, we will not.” As you can see, both honor the contract but one is more solution-focused than the other is.)
  
- ✓ **The use of “score cards” by each side to provide feedback on their perception of the product, service, or relationship** (If the vendor has experience using non-conventional scoring methods, they may be able to offer suggestions that were useful in the past. Their success is tied to your success: therefore, each side has an equal stake in making this work.)
  
- ✓ **Their definition of a “successful” relationship with a client.** (This question gives them a chance to suggest diplomatically how to work most effectively with them. They may list things like this:
  - A client who defines expectations but does not micromanage
  - A client who gives us sufficient notice of changes that may impact our ability to deliver our product and services
  - A client who pays on time
  - A client who realizes that our ability to make a fair profit helps us stay in business so we can provide the best to the client
  - A client who meets with us on a peer level as a partner working toward a common view of success instead of a ‘superior-subordinate’ relationship that can erode good feelings quickly)

- ✓ **Their most valuable characteristic as a vendor** (This is an opportunity for them to brag but not sound arrogant. It gives them a chance to display their self-confidence as a vendor. You **do** want a vendor who is confident they can provide what you need, don't you?)

In addition, it provides additional traction for the client's expectations. If the vendor says, "*We take pride in our ability to meet deadlines,*" it gives you something to bring up later when a deadline is threatened by saying, "*In our initial interview, you said you take great pride in meeting deadlines. With this deadline only 2 days away, will your pride be at risk?*")

- ✓ **The characteristic they want to improve most as a vendor.** (This is a reality check for the vendor and helps the potential client see how the vendor views himself or herself. If the response is something like, "*We provide great service but could be better at asking questions to our clients for clarification on some issues. This would reduce a lot time better spent at something else.*" This is a very realistic reply because every organization, whether client or vendor, could get better at communications. It shows the vendor is realistic and trying to self-improve.

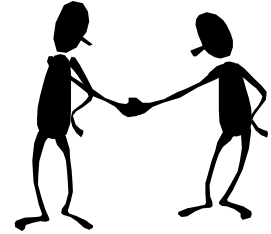
However, if the response is more like, "*Nothing, really, because we would not be number one in our field if we were not good at everything*", then beware! No organization is so good they cannot get better and you should be very suspicious of any that says so.)



The potential client can go a long way to demonstrating to the vendor their willingness to act as a 'partner' in this project (instead of the typical superior-subordinate role) by turning those same questions on themselves and giving the vendor some insight into them!

## Identifying Relationship Keystones

What do you think are the elements of a *successful* relationship with a vendor regarding these issues?

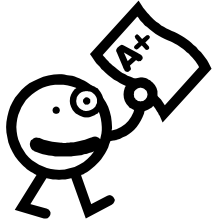


This is an information-gathering exercise the client and vendor can work on together (or separately) and then compare answers. This will begin to build the bridges between their initial positions in the traditional client-vendor relationship.

Use these or any other topics that are of mutual concern for clients and vendors.

<b>SURPRISES</b> (How will deal with surprises? How can we reduce the chance of them happening)	<b>INFORMATION</b> (What information do we need to exchange regularly?)	<b>SERVICE</b> (What level of service? How often? Emergencies?)	<b>RELATIONSHIP</b> (What do they need to know about us to provide the service we want?)

## Developing a Project “Scorecard”



We will pull together our earlier comments under “Exploring the “Customer is Always Right” Concept” (page 6), The Components of Motivation (page 8), Changing How We Regard Vendors (page 10), and the desire to define behaviors (25) to set the foundation for our scorecard development.

It is easy to identify measurables for **objective** topics such as delivery dates, tons-per-day, and gallons-per-hour, but not as easy to measure **subjective**, yet critical, factors within a client-vendor relationship such as *communication*, *teamwork*, or *responsiveness*. This section will show you a simple and very effective way to do this.

Before we start, however, let us ask you a question about a common game from childhood: **Monopoly**. Did you ever play it where all the payments made for street repairs, luxury tax, and school taxes were put into the center of the board and when someone landed on “Free Parking”, they got the money? Many kids did play it like that but do you know it *is not a part of the rules*? Nevertheless, as long as all the players agreed upon the rules and all had equal chances to benefit, everyone was happy.



This principle is what we imply with our scorecard process. *Rather than allow either client or vendor to be concerned about “We have never done it this way before,” we suggest that as long as all the players agree upon the rules and all have equal chances to benefit, everyone will be happy.*

Here is how we will do this:

1. Identify the value in having a “performance range” instead of an “all-or-nothing” goal
2. Apply that performance range to **objective topics** such as delivery dates, tons-per-day, and gallons-per-hour
3. Apply that performance range to **subjective**, yet critical, factors within a client-vendor relationship such as *communication*, *teamwork*, or *responsiveness*.

## Identifying the Value of a Performance Range

The value of a performance range (instead of a specific 'all-or-nothing goal') is that it gives the student/employee/vendor a chance for **self-determination of success** within a range of performance acceptable to the parent/employer/client **without the need for micromanaging by the authority figure.**

Do you remember the components of motivation (page 8)?

- *Tell me what you expect of me in measurable terms (quality, quantity, time) that reduce the risk of my confusion.*
- *Give me a chance to perform (and learn from my mistakes, too.)*
- *Let me know how I am doing as I go along*
- *Give me help and guidance when I ask for it.*
- *Reward me with pay or praise when I succeed.*

They tell us that the extent to which people are motivated to act is in direct proportion to the extent they believe these five conditions are present. Therefore, if we can create an environment where the vendor believes these are present, we may gain a higher quality of service and a stronger relationship in the future. We will demonstrate how each of these can be applied in a relationship with a vendor.

## A Common Objective Example with a Performance Range

Before developing this scorecard with a vendor, the client should determine their *needs and wants* from the project and a budget that will accommodate them. For example, suppose the client wanted a 50-unit PC network installed in their building. (We will only use the motivational factor of **time** here and not be concerned with **quantity** (50 units) nor the **quality** of the installation. We will assume the installation quality is acceptable.)

- We **need** the network installed within 30 days and are willing to pay \$1000 to have it done. (*This is the least the vendor can do and still get paid the full bid price.*)
- We **want** it installed in 20 days if possible because that will allow us to get started on the next project sooner. It is worth an additional \$500 to us if we can get them within 20 days.
- More than 30 days will cause us problems and cost the vendor penalties.

If installation is more than 30 days but less than 35, we deduct \$250 (or whatever we agree upon with the vendor) from the \$1000 “acceptable” level. If more than 35 days go by, we void the contract and the vendor forfeits all claims. (The legal terms of the contract are up to the client’s legal department.)

We work with the vendor before writing a contract to set up a simple A, B, C, D, or F (remember the report cards?) range to accommodate the performance possibilities for all the work we want done. Here is an example for the installation of the 50 PCs.

- A =** 20 days optimal installation worth a \$500 bonus
- B =** Proportionally between “A” and “C” (For example, 5 days earlier would be a \$250 bonus.)
- C =** 30 days installation (the least the vendor can do and still be acceptable) = \$1,000
- D =** More than 30 days but less than 35 with some proportional payment penalty
- F =** More than 35 days. The vendor “failed” the obligation, incurs the penalties agreed upon, and the client cancels the contract.

If the client and vendor agree on the performance scorecard for the installation schedule, then the vendor can control how much he makes and does not have to renegotiate with the client if it is completed earlier. As long as the client has budgeted for the \$500 bonus, he can pay without renegotiation, also. The vendor is in control of how much he makes within the performance



range by managing the installation schedule. The client does not create tension by micromanaging him to make sure it is completed on time.

The performance range concept also allows for a “mix-and-match” method of performance management. This gives the client and vendor greater flexibility. Suppose the client needs the 50 PCs physically installed quickly because of other construction factors but did not need the software loaded on every machine by that date because they still have fifteen employees to hire. They could fashion a performance range like this:

- A = All 50 installed physically with software loaded on all 50 = \$500 bonus
- B = All 50 installed and proportionally between “A” and “C” for loaded software
- C = All 50 installed physically with software loaded on designated 35 machines for current employees within 30 days = \$1,000 (This is the least acceptable performance level to the client.)
- D= More than 30 days but less than 35 for all 50 installed physically with software loaded on designated 35 machines for current employees = \$ penalty, contract not voided
- F= Failure to meet any part of D, contract voided, and pays penalties agreed upon.

It is easy to develop a performance scorecard for objective subjects like the number of installed PCs, but much harder to develop one on teamwork, managing meetings, cooperation, responsiveness, or any of the other subjective “fuzzy” topics that are a part of business relationships.

It can be done if we apply the “Monopoly” example from page 29 to our thinking. Specifically, where we say, *“as long as all the players agreed upon the rules and all had equal chances to benefit, everyone was happy.”*

Here is how to do this as client and vendor team members contribute ideas:

STEP-BY-STEP PROCEDURE TO MEASURE SUBJECTIVE TOPICS		EXAMPLE OF A SUBJECTIVE TOPIC
1.	Select the behavior you wish to measure	"The Conducting of Effective Client-Vendor Meetings for the duration of this project"
2.	Identify the traits you want to see in that behavior  (The client and vendor representatives work together and come up with these traits to define what successful meetings would be like.)	<ul style="list-style-type: none"> <li>✓ Agenda circulated at least 2 days before</li> <li>✓ Only relevant participants invited</li> <li>✓ Minutes are kept by pre-meeting designated person</li> <li>✓ Minutes circulated within 24 hours of meeting to all impacted parties</li> <li>✓ Start on time and end on time</li> <li>✓ Contain "Parking Lot" for non-agenda topics</li> <li>✓ Each participant comes ready to participate</li> <li>✓ Meeting leader makes sure that non-relevant conversation and distractions do not occur</li> </ul>
3.	Devise a method of measurement so you can determine the success of the behavior	Survey completed by participants within 24 hours of the meeting. Forwarded to (designate) See attached survey on page 35.
4.	Define the measurement scale	See the survey on page 35.
5.	Tie the measurement scale to the project report card	See example on page 36.
6.	Collect the measurement data and provide feedback to participants.	No example needed
7.	Revise any part of the process as needed to accomplish meaningful measurement.	No example needed

Here is the detailed breakdown of those steps in the table above.

1. **Select the behavior you wish to measure.** (We did that in the table above.)
  
2. **Identify the traits you want to see in that behavior.** The client and vendor representatives *who have to work together* should devise this list.
  
3. **Devise a method of measurement so you can determine the success of the behavior.**  
 This is done most easily using a "Likert Scale." We see this common scale format in surveys where we are asked to rate a range of opinions from "very good" to very bad". We can mix objective and subjective opinion scores together *as long as all players agree*.

The scores can be any numbers, words, or letters (1-10, 1-4, bad-not bad-OK -better-best, A-B-C-D-F) on which the group all agrees.

**We could score the vendor meetings from the previous page like this:**

(Note that each scoring strategy does not have to have a range of 1-4.)

<b>#2. EXAMPLE OF A SUBJECTIVE TOPIC</b>	<b>SCORING STRATEGY</b>
Agenda circulated at least 2 days before	4 = 3+ days before the meeting 3 = 2 days before the meeting 2 = 1 day before the meeting 1 = Not circulated
Only relevant participants invited	3 = All were relevant 2 = Not more than 1 did not seem relevant 1 = 2 or more did not seem relevant
Minutes are kept by pre-meeting designated person	3 = The pre-meeting designate kept the minutes 2 = Someone at the meeting was appointed to keep the minutes 1 = No minutes were kept
Minutes circulated within 24 hours of meeting to all impacted parties.	4 = Circulated within 24 hours 3 = Within 48 hours 2 = Within 3 business days 1 = Not circulated
Start and stop on time	4 = Start on time – ended early 3 = Start on time – end on time 2 = Start on time – ran over less than 15 minutes 1 = Start late or ran over more than 15 minutes
Contains “Parking Lot” for non-agenda topics	3 = Had a “Parking Lot” (Used it or not is not important. Whether it was available is the important aspect.) 2 = “No parking lot” but was not needed 1 = No Parking Lot” and had non-agenda topics distract meeting progress
Each participant comes ready to participate	This would be part of an individual’s teamwork survey to be completed by team members. This is covered next.
Meeting leader makes sure that non-relevant conversation and distractions do not occur	This would be part of an individual’s survey if “meeting leading” were a measurable part of their annual performance assessment.

**4. Define the measurement scale.** This is where we design the survey to allow participants to express their opinions (“measures the success”) about the conduct of the meetings.

<b>A SURVEY TO MEASURE THE CONDUCT OF MEETINGS FOR THE DURATION OF THIS PROJECT</b>					
Your comments and scores are valuable because they will help us maintain a high quality of meetings and help you be more productive. Please take a few minutes to complete this survey.					
For meeting of: <u>(date)</u> Please return this survey to (name) by (time/date.)					
<b>Meeting Management Topic</b>	<b>Scoring Range</b>				<b>Your Score</b>
Agenda circulated at least 2 days before	3 = 3+ days before the meeting 2 = 2 days before the meeting 1 = 1 day before the meeting 0 = Not circulated				
Only relevant participants invited	2 = All were relevant 1 = Not more than 1 did not seem relevant 0 = 2 or more did not seem relevant				
Minutes are kept by pre-meeting designated person	2 = The pre-meeting designate kept the minutes 1 = Someone at the meeting was appointed to keep the minutes 0 = No minutes were kept				
Minutes circulated within 24 hours of meeting to all impacted parties.	3 = Circulated within 24 hours 2 = Within 48 hours 1 = Within 3 business days 0 = Not circulated				
Start and stop on time	3 = Start on time – ended early 2 = Start on time – end on time 1 = Start on time – ran over less than 15 minutes 0 = Start late or ran over more than 15 minutes				
Contains “Parking Lot” for non-agenda topics	2 = Had a “Parking Lot” (Used it or not is not important. Whether it was available is the important aspect.) 1 = “No parking lot” but was not needed 0 = No Parking Lot” and had non-agenda topics distract meeting progress				
<b>Total score for meeting management is (add all scores for this section)</b>					
<b>Please use the specified scoring range to score the participant listed.</b>					
X = Absent 0 = No contribution 1 = Poorly prepared 2 = Moderately prepared 3 = Well Prepared					
Joe Brown	Steve Jones	Sue White	Carol Black	Grant Elder	Cindy Huntley
Mike Day	Frank Dole	Carl Smith			
<b>Please use the specified range to score the meeting leader.</b>					
1 = Strongly Disagree 2 = Disagree 3 = Agree 4 = Strongly Agree					
(Course Note: There is no “neutral” position offered because we want them to express an opinion.)					
Please circle the name (above) of the person who acted as meeting leader.					
a.	The leader made sure non-relevant conversations did not occur. Score = _____				
b.	The leader made sure distractions did not occur. Score = _____				
c.	The leader kept us focused and on track. Score = _____				
d.	The leader gave us a meeting summary of the important results. Score = _____				
e.	The leader made assignments for the next meeting. Score = _____				
f.	The meeting was very productive and a good use of my time. Score = _____				
<b>Total score for meeting leadership is _____</b>					

**5. Tie the measurement scale to the project report card.**

A typical project scorecard could look like this with sections for measuring objective topics, subjective topics, and collecting comments. The client and vendor should work together to identify the topics because this reinforces the concept of “partners” involved in a “joint project” focused on “shared success.”

<b>SCORECARD FOR THE (NAME) PROJECT</b>		
<b>COVERING THE PERIOD FROM (X) TO (Y)</b>		
<b>OBJECTIVE MEASURABLES</b> (These scores are derived from any reports, instruments, invoices, etc. with objective data that project participants agree are relevant.)		
	<b>Performance Being Measured</b>	<b>Score for this Period</b>
1	These are the significant few (as opposed to the trivial many) activities that project participants agree must be monitored and measured to track the success of the project.	B
2		A
3		C+
<b>SUBJECTIVE MEASURABLES</b> (These scores are from any surveys or measurements that project participants agree are relevant.)		
1	Meeting Management	B+
2	Teamwork (from a teamwork survey)	A-
3	Communication –reports and memos	D
4	Responsiveness	B
<b>PROJECT COMBINED SCORE FOR THIS PERIOD</b>		B-
Comments received:		

The “Meeting Management” period score results from the average scores from all the meetings within the period. You would translate the average score total to a letter grade just like your grade school teachers did.

For example, the highest possible meeting management score for a single meeting is 15 points.

The team could determine a letter grade from the average scores such as:

Average score: A = 15-14 B = 13-12 C = 11-10 D = 9-8 F = <8

The “+” or “-“ addition to a letter grade can be added if the team agrees that there is value in it.

## Summary

This course covered the critical features essential to developing a successful relationship with a vendor for a client willing to try a non-traditional approach. We have attempted to explain clearly the “why” of particular steps but not provided specific examples of “how” because each client’s situation is unique.

People taking this class who are creative and willing to think “out-of-the-box” should have no difficulty turning these concepts into successful actions in their organizations.

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