PDHonline Course P156 (5 PDH)

Selecting the Right Training & Development (T&D) Vendor

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Selecting the Right Training & Development (T&D) Vendor

(5 PDH)

Tips On HOW, <u>Not WHO</u>, To Select

Price vs.
Value

By Dick Grimes

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What is
Success?

Big Name or
Small Name

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Workforce Training and Development (T&D) Overview

These questions and their subsets should be part of your assessment process of your situation, what you want to achieve, and which vendor can best meet your needs. Please realize, however, that each organization is different and requires its own set of questions. The point we are trying to make with these questions is that the evolution of an organization (or a department within it) is much more than simply "dipping them in training" and expecting them to change for the better.

(Please send the author ideas you want to add so we can strengthen this course over time. dick@outsourcetraining.biz)

1) **Why Do We Need To Do This Initiative?**

    a) Where is our organization now?

        i) How do we know?

        ii) What measurements do we use?

        iii) Is there any other evidence?

    b) What is our organizational culture like?

        i) Are we **collaborative** and work together easily

        ii) Are we **competitive** and compete within for scare resources

        iii) Are we **controlling** where anything that isn't specifically allowed is prohibited

        iv) Are we **creative** where anything that isn't specifically prohibited is allowed

    c) What permanent changes must we make in our culture that will be compatible with the development we desire (**WARNING** – you cannot <u>change</u> employees in a classroom and send them back to an <u>unchanged</u> environment and expect the change to last.)

    d) Understand both sides of the situation (vendor's perspective and yours)

        i) Why would someone want to work with us?

        ii) Why would we want to work with them?

        iii) How much are we willing to listen to them?

        iv) Does being experts in our field also make us experts in the T&D field?

e) Do we know how to negotiate effectively

    i) With each other within our organization

    ii) With a potential vendor (we suggest you also look at our course *P125 Creating a Successful Vendor Relationship* and course *P153 Negotiating skills for the workplace*))

    iii) With your client and other stakeholders

f) Can we develop a defensible case for your ultimate decision on what we want to become (can we convince the stakeholders?)

g) Can we insure our chances of an enduring success

    i) Does our past behavior indicate we'll stay with it or are we "flavor-of-the-month" oriented?

    ii) Does politics or practicality prevail in our culture?

2) What Do We Want from a T&D Initiative?

a) What does success – our new culture - look like?

    i) For you as management

    ii) For stakeholders

    iii) For your customers

    iv) For our employees

    v) For potential recruits to our organization

    vi) For the vendor's

        (1) What change is required from where you started

            (a) Measurements to know we are changing

            (b) Other evidence

        (2) Can we differentiate price vs. value (How will we know we are getting what we are paying for?)

        (3) Must we change the entire infrastructure or just components

        (4) Should we look at lump sum or line item payments to a vendor

            (a) What are the pros and cons of each

        (5) What will be the impact on you as the Project Manager of the T&D initiative

            (a) Meeting the needs of your clients

            (b) Is the initiative flexible

              (c) Is the initiative measurable

              (d) Is this a potential career builder or killer

       vii) What will our initiative look like from the vendor's standpoint

           (1) How will they determine price vs. value

           (2) How will they demonstrate reliability of their service

           (3) Does their proximity to our locations factor into the equation

           (4) What will make them look good so we will be willing to refer them to others

3) **What Should We Consider About the Vendor?**

    a) Reliability

          (a) Their track record

          (b) Their potential for our needs

    b) Their services and products

       i) "Off the shelf" training only

       ii) Customized only

       iii) Customize some of the off-the-shelf

    c) Their Reputation

       i) Pros and cons of a big name

       ii) Pros and cons of a small name

4) **Negotiating the Deal**

    a) What are our negotiating skills

    b) Have we identified our interests vs. positions

5) **The Request For Proposals**

    a) What should it include?

    b) How can we develop it?

6) **The Contract**

    a) What should it include?

    b) How can we develop it?

A Pre-Course Assessment

Think of a pending training and development (T&D) project you have and for which you will need an outside vendor. Take a moment to answer these questions about it. This exercise is intended to get you more involved in the application of this course to your work environment.

1   What is the T&D need you have?

2   What vendors are you considering so far?

3   Why are you considering them?

4   What does a successful outcome of that T&D project look like?

5   Who will define what those successful outcomes should be?

6   How long should it take?

7   How do you know that is a reasonable length of time?

8   Who will do the training?

9   Where will they get the training materials?

10 What should it cost?

11 How will you know if you have gotten your money's worth?

12 If the expected results are not achieved, what will you do then?

The Concept of Training and Development

Organizations do not anticipate engaging in a Training and Development project unless they perceive there is either:

1. A gap between the skills and abilities their employees <u>need</u> and what they currently <u>have</u>.
2. A disconnect between what their organizational culture is now and what it must become

A little more explanation is needed here. *A major reason why organizational change is not successful is because they do not take into consideration their current culture.*

For example, suppose we work for a bank that was founded 3 generations ago in a rural area. The culture is much like Mayberry from the Andy Griffith Show meaning it's very friendly, helpful, and the tellers take time to get to know the customers and spend time talking with them during transactions. There is no great hurry. Coffee and donuts are available in the lobbies of each of the seven branches and "art galleries" in each display the work of the local elementary school children. The bank has slowly grown and gained a reputation for honesty, "old fashioned values", "down home" friendliness, and a very low-key approach to customers, lending practices, and general activities.

Then, a descendent of the founder that went off to the big city returned with dreams of growing the bank into a regional player in the banking industry. His new slogan is "We are a sales organization that happens to be a bank!" He decides to change their small town culture by:

- Demanding the tellers increase their turnover of customers served by reducing the "meaningless small talk" (as he puts it)
- Increase the sale of related services such as credit cards, mortgages, lock boxes, etc. by having tellers ask each customer if they need these services
- Having the branch managers get more aggressive in talking to local merchants about business loans

- Eliminating the coffee and donuts to reduce the amount of customers just hanging around and transacting business

- Removing the children's art galleries and using that space to sell ads for local merchants

Obviously, his plans of just giving the tellers and branch managers sales training to increase revenue alone are not going to get the results he expects. Nor will his removing coffee and donuts and the art galleries immediately get the results he expects. **Their culture** is still a small town, rural and friendly bank and not that of a high pressure sales organization. His failure to take that into account will doom his plans.

That is what we are talking about when we warn organizations against thinking that training alone will make a difference. We repeat what we said earlier; **YOU CANNOT EXPECT TO CHANGE AN EMPLOYEE IN A TRAINING CLASS AND THEN SEND THEM BACK TO AN UNCHANGED ENVIRONMENT AND EXPECT THAT TRAINING TO LAST!**

Also, we are differentiating **knowledge** from **skills** by using skill to mean *"the application of specialized knowledge"*. It is our contention that, from a business standpoint, just having knowledge is useless unless we apply it as a skill. That is why we will always define our anticipated development outcomes as skills or behaviors, not simply as *knowledge*.

"Skills and abilities" may refer to any business-related activities such as:
- ✓ Leadership
- ✓ Computer Programming or machine operation
- ✓ Process design
- ✓ Project implementation

Examples of *measurable reasons* an organization may want to implement a T&D initiative:
- ► Turnover in a department has increased from 8% to 24% annually
- ► On-the-job accidents have increase by 13% in the last three months
- ► Productivity has dropped from 23,500/week to 21,000
- ► What else?

Examples of *reasons without measurement* an organization may want to implement a T&D initiative:

► There seems to be a lot more grumbling and complaining in the shipping department

► Our employees look like they just do not care about things any more.

► There are so many long faces around here – morale needs to improve.

► We are getting too many complaints about foul language and dirty jokes in the maintenance area.

Where Are We Now?

"When you don't know where you are going, any road

will take you there!"

-The Cheshire Cat from *Alice in Wonderland*

Before you can expect to see things get better because of your T&D initiative, you need to know how things are now *from a measurable standpoint.*

List here some of the reasons you have (or your client gave) for wanting to introduce this project. (Something like "turnover is too high", "we are wasting too much time", "we are not as productive as we can be", "we're at risk because the employees keep doing this _____")

What danger is there **TO YOU AS THE PROJECT MANAGER** of this T&D initiative if the reasons given are not measurable? (The possibility you will never know if things are getting better, worse, or not changing. Also, it will be very difficult to develop a strategy for improvement – a blueprint for success.)

(Don't worry - if you have reasons without measurements, you will learn how to define them in this class.)

Measuring "Human Capital"

Many company executives love to demonstrate how much they value (or want to appear to value) their workforce by saying things like, **"Our people are our most important asset!"**

Have you ever wondered, though, just how valuable are they? Are they becoming more or less valuable? How do we know? Can we believe these numbers?

In an article in the January 2005 HR Magazine entitled "Blind Investment", the author states, *"In fact, a variety of experts agree that as much as 80% of a company's worth is tied to human capital."*

The article goes on to discuss several different ways of measuring the value of their workforce that may be useful to your organization. (Please keep in mind that this is not a financial analysis course and the author does not pretend to be a financial analyst. These are offered as benchmark guides to use if your organization has nothing at all.)

► **Human Capital Return On Investment** [we will refer to it as "HR ROI"]

► **Revenue per Employee** [RPE]

► **Workforce Development Ratio** [WD ratio]

► **Profit per Employee** [PPE]

► **Labor Cost as a Percentage of Revenue**

► **Voluntary Separation Rate** [VSR]

► **Operating Efficiency Rating**

Please remember that *trends in scores* tell you much more than just a single measurement. These metrics are useful only to determine *trends* of things getting better, worse, or not changing at all. We suggest using any of these metrics *at least three times* within a year to determine a trend.

Human Capital ROI [HC ROI]

The rationale for this is to illustrate the relationship between human capital investment, productivity, and profitability. HC ROI is the pre-tax profit an organization generates for each dollar invested in regular employee pay and benefits after non-human expenses are removed.

Also note the organization must separate compensation and benefit expenses from normal operating expenses for this calculation to work.

$$\text{HC ROI} = \frac{\text{(Revenue - operating expenses – (compensation + benefits costs))}}{\text{(Compensation + benefits costs)}}$$

Sample

Revenue = $23,432,819   **Operating expenses = $13,587,952**

Compensation = $2,975,218   **Benefit costs = 32% of compensation costs**

HC ROI = ($23,432,819 - $13,587,952 – ($2,975,218 x 1.32))

$$\text{HC ROI} = \frac{(\$23,432,819 - \$13,587,952 – (\$3,927,288))}{\$3,927,288}$$

$$\text{HC ROI} = \frac{\$5,917,579}{\$3,927,288} = 1.506$$

Revenue per Employee [RPE]
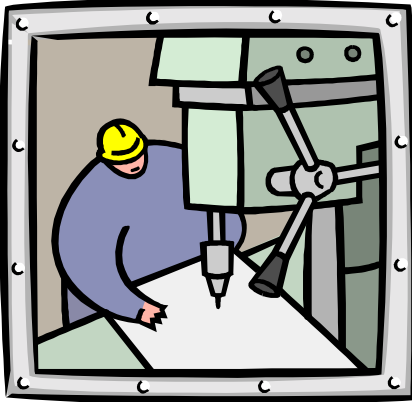
This metric allows a company to determine its revenue per employee (full time equivalent abbreviated as FTE). This is widely considered a basic measure of a company's productivity.

When combined with the **Workforce Development Ratio** (page 15), it allows a company to determine the impact of Workforce Development initiatives on the bottom line.

For example, if your company's RPE increased by 8.3% while the WD ratio has increased only 2.25%, it would indicate that you are getting a good return on your WD efforts.

RPE = Revenue/FTE

Sample

Revenue = $23,432,819   **FTE = 147 employees**

RPE = $23,432,819/147 employees = $159,407 per employee

Workforce Development Ratio [WDR]

This identifies the ratio of the entire budget that is invested in workforce development.

It is more important that the factors a company uses to determine the WD factors be <u>consistent</u> than "philosophically pure".

For example, whether a day spent in training class should be broken out as a WD expense or remain as a wage expense is less important than we *consistently* calculate it the same way every time!

WDR = WD Expenses / Total Expenses

Sample

Operating expense budget for this year = $13,587,952

Compensation + benefits costs = $3,927,288

Workforce Development budget = $478,500

WDR = $478,500 / ($13,587,952 + $3,927,288)

WDR = $478,500 / $17,515,240

WDR = 2.73%

Profit per Employee [PPE]

This takes the pretax profit an organization generates and attributes this to each FTE. This metric provides an integrated picture of productivity and expense control efforts.

Like the previous metric, combining this with the WDR is another way of determining if WD efforts are having the desired results.

If our WDR has increased from 2.73 to 3.01 while our PPE has increased by 19.74%, is that great news, good news, or no big deal? (The WDR increase is 10.26% and PPE increase is 19.74% which seems like good-to-great news without considering any other factors.)

(Obviously, the answer would be different with different companies but a question like that can help an organization tell if it is going the right way with its WD efforts.)

PPE = Revenue / FTE

Sample

Revenue = $23,432,819

FTE = 147 employees

Operating expense for this year = $13,587,952

Compensation + benefits costs = $3,927,288

PPE = $159,407

Labor Cost as a Percentage of Revenue

This looks at the percentage of revenue dedicated to compensation and benefits costs for regular employees. (We focus on regular because seasonal and or temps are not as constant a figure as are the full-time workforce.) It provides insight into an organization's benefits and compensation programs. Over time, this measurement can show if the organization is obtaining a higher or lower return on dollars invested in the workforce.

Combining this with the WDR, the RPE, and PPE is another way to determine if WD activities are positively impacting your organization.

If our WDR has increased from 2.73 to 3.01 while our PPE has increased by 19.74%, RPE has increased 12.76% and labor cost as a % of revenue has remained relatively steady, is that great news, good news, or no big deal? (It still seems that the increased money we are investing in our workforce – 10.26% from the previous page – is less than the returns we are getting for it in PPE. Also, if labor costs as a % of revenue have remained steady, then increased revenue means a proportional increase in labor costs. However, if the **PROFIT** derived from that increased revenue (PPE) exceeds the cost of developing the workforce, then things are very good.)

Labor Cost as a % of Revenue = <u>Compensation + Benefits Costs</u>

Revenue

Sample

Labor Cost as a % of Revenue = $3, 927,288 / $23,432,819

= 16.7%

Voluntary Separation Rate [VSR]

This looks at the percentage of FTE that has voluntarily left the organization. High turnover may impact the organization's stability, profitability, and productivity.

Be careful *not to include* those who voluntarily left for non-workplace reasons such as relocation of a spouse or personal reasons unrelated to the workplace.

VSR = Total Voluntary Separations / FTE

VSR = 13/147 = 8.8%

Measuring "Hard Skills"

(Our other courses provide greater detail for these topics. Look at **P129 [**Analyzing Employee Performance Problems] and **P129** [Leadership Fundamentals I])

Defining skills must always focus on the behaviors associated with the skills. We must define *what we expect them to do at difference performance levels* as part of the measurements.

Measurements, *to be effective*, must contain references to:

- **Quality** of performance (How well they perform.)
- **Quantity** of performance (How many they must produce.)
- **Time** of performance (The deadline when the production must be completed.)

We will abbreviate these three elements in this course as **QQT.**

For example, suppose we were defining the job functions of a filing clerk. Their job deals with accurately ("**accurately**" is a quality element) filing stacks ("**stacks**" is a quantity element) of documents by a specific deadline ("**deadline**" is a time element.)

In addition to describing the three elements (QQT) of effective measurements, we must also identify a performance range that allows the employee and supervisor to monitor the work progress and determine their appropriate compensation for the work performed. This is like the grading system used in schools where A, B, C, D, F provide measurements for academic productivity.

It is easy to develop a performance range if you will start in the middle – the "least they can do to get by" performance description. This is like the grade of "C" in school.

Then you can go up and down the scale easily to cover the range of performance that can occur.

The elements of quality, quantity, and time give us great flexibility in determining the performance range. We can define the fling clerk's duties in a variety of ways.

We will use a simple 1.0 – 5.0 scale to demonstrate this practice where 1.0 is "worst" and 5.0 is "best behavior".

The elements of quality, quantity, and time can be manipulated to place greater emphasis on which of the three is most important for a specific job.

FILING CLERK PERFORMANCE RANGE	
5.0	File >30 documents per hour with no mistakes
4.0	File >20 - 30 documents per hour with no mistakes.
3.0	File at least 20 documents per hour with no mistakes.
2.0	File <20 but more than 15 documents per hour with no mistakes or any amount with 1 mistake.
1.0	File < 15 documents per hour with 1 mistake or any amount with 2 or more mistakes.

`

Table 1 – **Quality** is emphasized

Table 1 shows that greater scores ("better work") are directly tied to increased filing of documents <u>as long as there are no mistakes</u>. The 2.0 score (like a "D" grade in school) can be either fewer documents with NO mistakes or even more than 30 documents <u>with just one mistake.</u> The time element remains the same.

FILING CLERK PERFORMANCE RANGE	
5.0	File >4<u>0 documents</u> per hour with no mistakes.
4.0	File >4<u>0 documents</u> per hour with <2 mistakes.
3.0	File <u>at least 30 documents</u> per hour with <=3 mistakes.
2.0	File <u>at least 30 documents</u> per hour with 3-4 mistakes or <30 with any mistakes.
1.0	File <u>< 25 documents</u> per hour with any amount of mistakes.

Table 2 Productivity is emphasized

This table shows that we will tolerate a small number of mistakes as long as productivity is up.

Table 3 - **Time** is emphasized

FILING CLERK PERFORMANCE RANGE	
5.0	File >40 documents with no mistakes in less than 1 hour.
4.0	File >40 documents with no mistakes within 60-75 minutes. .
3.0	File at least 30 documents with no mistakes in 75-90 minutes.
2.0	File at least 30 documents in 75-90 minutes with <3 mistakes
1.0	File < 30 documents or take longer than 90 minutes or make 3 or more mistakes.

Some tasks do not allow much manipulation of the three elements because of the nature of the job.

Suppose government regulations required we process **all** the loan documents we received **accurately** within **72 hours**. We cannot control how many we receive: we must simply process them "all". Every document must be accurate because people's money and property is involved and we have a "$1,000 error-free guarantee" in our advertising that gives us a marketing edge and drives a lot of business our way.

We will divide the inbound work into equal piles for the clerks available. Since the government requires accurate processing within 72 hours, we can use that as our grade of "C". We know we cannot process less than all that came in nor can we drop the quality level. Therefore, the only variable we can use as an incentive for employees is **time.**

We can manipulate the time it takes to finish their share of the work as the incentive to finish early. That also gives us a chance to have some early finishers available to help slower ones if needed (after we document the files of the early finishers –and they know we did - as a reward) so we do not break the departmental deadline to finish all the work that came in.

If they can finish their share of the work accurately sooner than 60 hours since it came in, we will give them the highest score of 5.0 (an "A" for their work). Then, as an example, we can make 60-65 hours as a 4.0 (a "B") and 66-72 hours as the 3.0 (a "C").

Practice Activities

Identify any function from your workplace that uses a progressive performance level and answer the questions below:

1. What is the job title: _____

2. What is the function that you are listing: _____

3. List the **quality, quantity**, and **time** measurements associated with <u>each level of performance</u> through the range from best to worst.

Use a 1.0 (worst) to a 5.0 (best) scale to define a performance range for any task associated with one these of these technical functions.

Be sure to include considerations of quality, quantity, and time.

- A technician at a fast oil-change business
- A customer service representative in a phone center
- An emergency medical technician
- A hair cutter in a barber/stylist shop
- A bank teller

Here are examples of how more technical skills could be developed into a performance range.

This is for an on call software-programming technician.

On-call Responsiveness (based on problems being resolved within the established time frames set by the On-Call Policy, barring any obstacles encountered due to problems dialing in; or other circumstances outside of the control of the person responding to the problem)
Note: Expectations should be evaluated based on the individual's job description and special considerations may need to be made for new employees or employees that are assigned applications that they do not support on a daily basis; such as groups that have combined on-call personnel for multiple applications or when an employee transfers to another application.

Able to resolve problems on your own and within the established time frame set by the *On-Call Policy*

|	
5	Consistently (98 - 100%) able to resolve problems on your own and all problems resolved within the established time frames.
4	Most of the time (90% - 97%) able to resolve problems on your own; however some assistance is needed from other team members on difficult or complex problems. All problems are resolved within the established time frames.
3	Occasionally (80% - 89%) needs assistance to resolve problems that are unfamiliar; you are able to resolve most problems on your own; most all problems are resolved within the established time frames.
2	Needs to improve; assistance is needed from other team members to resolve problems which are not complex.
1	Needs to develop; assistance is needed from other team members to resolve most problems; problems are not resolved within the established time frames.

	CLIENT PROBLEM RESOLUTION
5	Consistently (98-100%) problems are fixed the first time; solutions do not cause additional or new problems; no business unit, application, or system performance impact and no customer impact.
4	Most of the time (90-97%) problems are fixed the first time; solutions do not cause additional or new problems; no business unit, application, or system performance impact and no customer impact.
3	Occasionally (80 -89%) problems are not fixed the first time; solutions did not cause additional or new problems; minor business unit, application or system performance impact occurred; no customer impact
2	Needs to improve; problems are not fixed the first time or solutions have caused additional problems; customer, an occasional business unit, application or system performance impact occurred
1	Needs to develop; problems are not fixed the first time or solutions have caused additional problems; customer, business unit, application or system performance impact occurs frequently.

Measuring "Soft Skills"

How can you put a measurement on these topics?
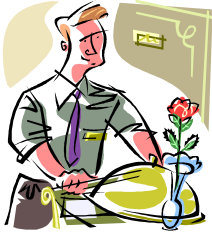
Quality Service

Team Work

Written Communication

Oral Communication

It is easy to measure if you will do this:

1. <u>Work with your employees</u> to define jointly the **behavioral traits** that demonstrate the topic. (It is critical to the success of this measurement process that you include those whose behavior you expect to measure. Their "buy in" is critical for the success of this approach.)

    For example, if you wanted to measure "PRIDE IN WORK", you first identify **behavioral traits** that indicate they have pride in their work.

    - There are no spelling errors.
    - It is always on time or before.
    - She always uses the proper format for the report.
    - There are no smudges or "white outs" on the form.
    - Her data is always accurate.

2. Establish a scale with a range of values for use with each trait. [This is a *Likert Scale.*]

  1 = I <u>never</u> see this (Do not get overly concerned with the definition of "Never". This scale will work as

    long as you and the employees agree on what frequency it means.)

  2 = I <u>occasionally</u> see this (Do not get overly concerned with the definition of "occasionally This scale will

    work as long as you and the employees agree on what frequency it means.)

  3 = I <u>always</u> see this (Do not get overly concerned with the definition of "Always This scale will work as

    long as you and the employees agree on what frequency it means.)

  X = Does not apply

  CAUTION: Professionals such as engineers, surveyors, and accountants are used to working with specific data and may be uncomfortable with this concept. They should remember we are measuring impressions and attitudes that may be vague at best. Asking a customer to rank satisfaction along a scale from "Not satisfied," "Some satisfaction", Very Satisfied," or "Does not apply" is more useful than asking them "are you 43% satisfied or 72%?"

3. Then create a scale that converts the average of the trait scale (#2 above) to your performance

  assessment system.

Joan Smith's **Pride in Work** ("Pride in Work" is the <u>behavior</u> we are evaluating) Evaluation	Scores
There are no spelling errors.	**3**
It is always on time or before.	2*
She always uses the proper format for the report	2*
There are no smudges or "white outs" on the form.	3
Her data is always accurate	2*
Average score for the observation period ⟶	12/5= **2.4**
A wise leader will have documentation of the times when the employee did anything that would result in a less than perfect score. You can expect them to ask for proof they did not earn the top score. *Also, their morale is improved if you put the burden of proving they <u>did not</u> get the max score on you instead of putting the burden of proof <u>on them</u> they did earn it. This would be like a teacher in school telling you at the start of the year "Everyone has an "A" in this class until your scores show otherwise". The result from a grade standpoint is probably the same but the attitude of the students is much more optimistic and they <u>may</u> score better!*	

These five "behavioral traits" from part #1 define the behavior "Pride in Work."

You can ask you work team how they want to be measured on their "teamwork" skills.

Some **"TEAM WORK"** traits that they may suggest:

- Demonstrates willingness to help others when finished with own work <u>without being asked</u>.
- Demonstrates willingness to help others with less experience or confidence
- Demonstrates willingness to give credit to others when praise is given
- Demonstrates willingness to carry his/her fair share of the workload (and more at times if asked)
- They are reliable and can be counted on to carry their share of the workload

You should consider accepting any traits that satisfy them and still fall within your general bounds of what the topic should cover. They feel more bound by <u>their</u>

This is how the XYZ Corporation may set up a simple, <u>yet effective because it is easily understood by employees,</u> performance assessment scale of 1.0-3.0.

Performance scale ranges:

< 2.0 requires probation and a specific improvement plan

2.0 – 2.4 = Satisfactory performance with lowest merit increase

>2.4 – 2.7 = Above satisfactory performance with medium merit increase

>2.7 = Outstanding performance and maximum merit increase

Employees Rating Each Other: Good or Bad Idea?

Ask that question among a group of supervisors and managers and you will get many reasons for and against it. We believe that it is a good idea only when *the group doing the rating has the maturity to understand the benefits it offers.*

Here are some issues for consideration about the argument for those who have not attempted it before.

- Teamwork is important to the success of our group. (No one will argue that fact.)

- There are only two ways to evaluate individual performance contributions by members of the team: the *leader can do the evaluation* or the *fellow team members can.*

- The leader is not always present while the team is working. Frequently there are duties unique to leadership that requires him or her to be elsewhere such as attending meetings, working in the office planning, scheduling, budgeting, reporting, etc.

- There may be team members who work more diligently while the leader is present than they do when the leader is absent.

- Other team members frequently have to pick up that slack to meet the group's production goals.

- Since the leader was periodically absent and not able to observe performance at all times, there is a distinct possibility the slacker will get a performance rating that is higher than deserved when the leader does individual performance assessments on group members. This is unfair to those who had to pick up the slack to meet the group's goals.

- The group's members can solve this problem by doing anonymous assessments of each other <u>if they choose to act objectively</u>. The leader can use these for the individual's performance scores under the "teamwork" category.

- Some group members will object saying that assessments are the job of the leader. While that is true, it is also true that the frequently absent leader cannot evaluate individual performance within the group as often as other members can.

- The group can choose to score itself anonymously and be very accurate or insist the leader do the scoring and admit there may be undeserved scores. They cannot have it both ways unless the leader gives up some leadership duties. However, if the leader stopped doing those leadership duties, he or she would not remain a leader very long.

- The possibility of groups of team members giving lower scores to those they do not like (or friends higher scores) than they deserve can be defeated by using the Olympic judge technique of throwing out the highest and lowest scores. Or, you can require specific examples be included for the highest or lowest scores to count.

- If a group is willing to self-score, work production will increase because the slackers can no longer "get away" with their games: they know it and the group members know it.

Designing a "Soft Skills" Performance Evaluation

This is a review of the Measuring "Soft Skills" on page 24. We will show you how to build a group assessment for the soft skill of **teamwork.**

Meet with the work group and explain to them that you want to develop a way to assess "teamwork" that fits with their work and is desirable and fair to all. (Be sure to reference the arguments on page 27.)

Ask them to offer some "Teamwork" traits that you could use on their organization's annual performance assessment. Let us assume these are what they offered:

- Willingness to help others when finished with own work <u>without being asked</u>.
- Willingness to help others with less experience or confidence
- Willingness to give credit to others when praise is given
- Is reliable by always being here on time and doing what they promise
- Willingness to carry his/her fair share of the workload (and more at times if asked)

EXTRA BENEFIT: Traits like these also provide a group's unofficial "code of conduct" that becomes a self-policing guideline. This takes a large burden off the leader because the team self-monitors its performance and helps new members assimilate more quickly.

Performance Assessment Sample Using a "Likert Scale"

(A Likert Scale is one that surveys a range of opinion from one extreme to
another such as 'Agree very strongly' to 'Disagree very strongly.)

Send a survey with a cover memo like this to group members.

"John Smith is due for a performance assessment of his last 3 months of work. Part of **our company's annual** Performance Assessment form requires an assessment of **TEAMWORK**.

We value the Teamwork traits listed below in our group. Please rate John based on your experience with him during this past assessment period and send it to me by (date). If you want to include the highest or lowest scores, you must include specific examples for those scores to count.

Your name will be helpful if I have questions about your response BUT IT IS NOT REQUIRED. If you will feel more comfortable returning it anonymously, you may do that."

Please rate these situations from a 1-10 using this rating: 1 = I never see that trait 3 = I rarely see it 5 = I see it occasionally 8 = I see it frequently 10 = I always see that trait X = I do not know well enough for an opinion.	
The trait we are looking for…	Your rating
Willingness to help others when finished with own work <u>without being asked</u>.	
Willingness to help others with less experience or confidence	
Willingness to give credit to others when praise is given	
Is reliable by always being here on time and doing what they promise	
Willingness to carry his/her fair share of the workload (and more at times if asked)	

When you get the replies, average the scores and assign a value according to the system you have developed ***with your employees.***

What Does Success Look Like?

An effective outcome of your T&D plan requires <u>at least</u> these two elements:

1. Quantifiable – It must tell you
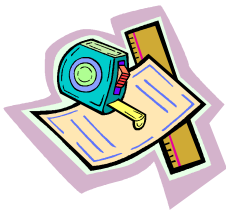
    ✓ **HOW MUCH (Quantity)**

    ✓ **HOW WELL (Quality)**

    ✓ **BY WHEN (Time)**.

    This knowledge is critical to you (the **PROJECT MANAGER**) for these reasons:

1   It helps you get a clear understanding from your boss (or your internal client) of how we will know we should pay the vendor.

2   It helps you describe to the vendor what you want. This keeps them from wasting time (billed to you) trying to guess what you want. It also keeps them from giving you more than you need (and billing you for it.)

3   It helps you monitor the progress of the project.

4   It gives you "milestones" for payment, deadlines, and adjustments to the plan while maintaining good relations with the client and the vendor.

2.   Business Related – The measurable outcomes of your T&D
initiative must be linked to business-related factors.

What are some business-related factors to consider with a new T&D
initiative?

Go back and look at the questions you answered on page 7. Does your definition of a
successful outcome (question #4) include business-related ones?

Practice Activity #1

|		
Describe an activity associated with <u>your job</u> that <u>is clearly defined</u> and contains "quantity, quality, and time" components.		
The **Quality** component is:	The **Quantity** component is:	The **Time** component is:

How does **this clear definition** of what your leader expects affect your personal satisfaction and
your work performance? If you cannot think of these elements in relation to your job, what
should you do?   Why would you want to do this?

Practice Activity #2

What measurable, business-related outcomes can you use for the T&D activity that you are
using?

Making It Stick
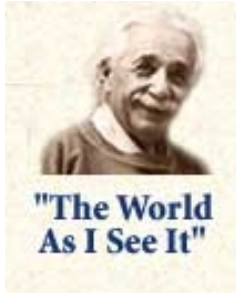
The world-renowned scientist and certified genius, Albert Einstein, once defined insanity as, "Doing things the way you always have and expecting different results!"

How would that definition apply to:

- A new couple who has run up a large credit card debt and then looks for a "debt consolidation loan" as the solution to their problems? (If they do not change the spending behavior that led to the big debt, they will just create another one.)

- An overweight person that makes a New Year's resolution to lose 15# but won't consider changing his routine to accommodate exercise? (If they do not change the eating behavior that led to the weight problem, they'll not keep the weight off.)

- An HR manager who writes new rules about the dress code when she realizes people aren't paying any attention to the old ones? (She hasn't done anything differently. If they ignore the old ones, they'll ignore the new ones. HINT: Apparently there isn't any perceived *enforcement of the rules* from the employee perspective.)

Why is Einstein's statement an important consideration for an organization contemplating working with a vendor to make some organizational changes? (The vendors must make the organization realize that past behaviors have brought them to the point of needing this change. Failure to change doing "what brought you here" will doom the T&D initiative before it even gets started. The organization can determine the level of the vendor's sophistication by whether or not they mention this critical point.)

How would the statement, "You can't **change** someone's thinking in a classroom, then send them back to an **unchanged environment** and expect anything they've learned to stick" apply to a T&D initiative? (The organization must also alter its culture to accommodate the new things being taught or policies needing implementation. If the vendor only suggests training without showing the organization how it must alter its culture to accommodate the desired outcomes, then it will just waste the resources committed to the initiative. Beware of vendors who do not consider the entire culture when discussing a T&D initiative.)

Developing Outcome Measurements

Outcome measurements for T&D initiatives typically involve employee **"hard skills"** and **"soft skills"**. (This is a quick review of what we covered earlier starting on page 19.)

The term "**hard skills**" refers to the activities we normally associate with a particular job function while **"soft skills"** are equally important but more universally applied to many functions beyond a specific one.
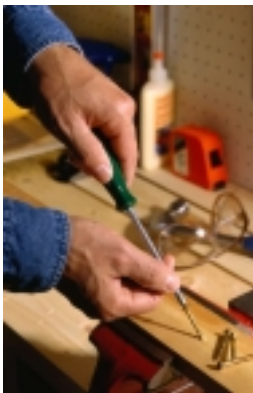
A cabinet maker's "hard skills" would be the obvious tasks such as measuring and cutting angles; familiarity with various kinds of wood; ability to assemble parts of a cabinet so there are no gaps or misfits; knowledge in mixing and applying paint and stains.

His "soft skills", such as customer relations, safety, and teamwork (if working with others on a remodeling project) are equally as important but not just relevant to cabinetmakers. *Everyone working on this project must share these same skills.*

The soft skills <u>for each position</u> must be defined *as they relate to the specific position* if we want to establish a meaningful assessment process for anyone being trained for this task. Unless we define them as *they specifically relate to a unique job*, we will not be able to measure their performance accurately and we risk not being able to define success for our T&D initiative.

Establishing Effective Performance Goals

Select one of your current employees and write two effective performance goals for them. Put the words "how much", "how well," and "by when" in parenthesis behind the proper element within your goal. Use this as a sample:

Sandy will complete the night school <u>Accounting 101 class </u>("how much" = 1 class) within 6 months of today ("by when") with at least a grade of 'B' ("how well").

My employee is _____

Their performance goal #1 is:

Their performance goal #2:

?Think about...

Three possible situations can happen when **setting performance goals**:

<u>You set them</u>; your employee takes them and tries to meet them.

<u>Your employee sets them</u>; you accept them and hope they can meet them.

<u>You and your employee set</u> them together and track progress together.

Negotiating Basics

(Our course **P153** entitled *Negotiation Skills in the Workplace* provides greater detail about negotiating.)

"Be Prepared!"

"There is a <u>direct correlation</u> between pre-negotiation knowledge and a successful negotiation outcome!"

What is meant by a *"successful negotiation outcome"?*

What does a ***"successful negotiation outcome"*** mean to you?

Here is what it should mean:

1. **It should reach a mutually beneficial agreement** (meets the legitimate interests of both sides to the extent possible, resolves conflicting interests fairly, will last for some time, and takes into account community [workplace, neighborhood, family] interests.)

2. **It should be "efficient"** (able to be implemented with a minimum of "moving parts", other people or factions, and contingencies on future events)

3. **Should improve (or not damage) the relationship between the parties involved**

Determining Value

What or who determines the "value" of an object?

> Each side decides for themselves what the value is to them. Remember, both sides may not share the same idea of the object's value or value may not always mean money. You will see why in a few minutes.
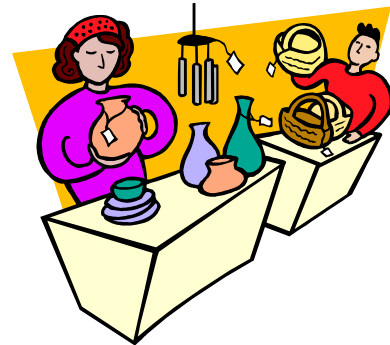
What or who determines the "price" of something?

> Each side decides for themselves what they are willing to pay for something or what they are willing to sell it for. Remember, price may not always mean money. You will see why in a few minutes.

Could the value and the price of an object be widely different?

How? Why would we ask that question in a negotiating class?

> Yes

> Suppose you were having a garage sale trying to clear out some of the objects your family has been accumulating for the past 30 years. One of the items is the family piano on which your grandmother taught you to play simple songs. Later, you taught your children to play those songs on the same piano. That old piano has many treasured memories for you. You have a written appraisal stating the value is $750 and that is on the piano for customers to see.
>
> Two people are looking at it. One is the local antique dealer (you see the sign on his truck in your driveway) and the other is a young mother with a five-year-old child with her.
>
> The antique dealer has been trying to get your price down by pointing out the scratches on its legs (where your puppy once scratched it trying to get your attention when your grandmother was teaching you a song). The young mother is watching her child trying to pick out notes on the keyboard as she tells you they want to get her piano lessons someday but just can't afford the cost of a piano and lessons right now.
>
> Do you think the seller, the antique dealer, and young mother all have the same concept of the piano's **price** and its **value?**
>
> Who do you think would 'value' the piano more: the antique dealer who is looking for an object to sell for a profit or the young mother looking to find a way to help her child learn about music? Would they value it in the same way? Do you think the price would be the same to both prospective buyers? Do you think part of the price to the young mother may be 'take care of it and let it give your family great memories like it did for ours'? Can you see now why price and value many be different from each perspective?

Positions vs. Interests

There is a house for sale (by owner) in a neighborhood where you have wanted to live and you are looking to move into that area?

Here are two possible scenarios that could occur which will demonstrate the difference between negotiating from *positions* or from *interests.*

Positions are the **visible fact**s about the deal such as price, delivery date, quantities, terms and conditions of the sale. Interests are the **invisible reasons** behind the positions.

If you take time to find out as much as you can about the invisible reasons behind their pricing, delivery dates, quantities, and terms and conditions, you may be able to offer alternative options that will still satisfy them and allow them to be more flexible on their positions.

Negotiation #1

A Focus on POSITION

Your Comments	The Owner's Comments
How many bedrooms and baths?	3 bedrooms and 2 baths
How old is it?	It is 13 years old.
How much are you asking?	$195,000
We wouldn't want to pay more than $175,000.	That's your choice but it won't be enough for this house!
Maybe we could go to $180,000.	I might consider $190,000.
I wouldn't go much higher!	I won't go much lower!
At this point it may break off entirely or antagonisms begin to develop because one side starts thinking the other side is trying to take advantage of them. The relationship turns into a competition and becomes personal about whether one side can persuade the other to give in. The chance of a successful negotiation becomes very slim.	

Negotiation #2

A Focus on INTERESTS

Your Comments	The Owner's Comments
This looks like a very nice house you have. *May I ask why you want to sell?* (Starting with the interest in selling may get them to tell you what's behind their position/price.)	It has been a great house for us but I have been relocated and we are trying to sell here and get settled there before school starts.
How many bedrooms and baths?	3 bedrooms and 2 baths
How old is it?	It is 13 years old.
How much are you asking?	$195,000
I'm sure it's worth every bit of that and you'll **eventually** find a buyer. (You do not comment on whether you think the price is too high. Just give them the impression you think it is fair because you're really trying to get them focused on their real interests) However, if it were a little less, we would be very interested in it and it may help you **get on with getting your family moved and settled before school starts in your new neighborhood.** (this comment appeals to their interests)	Well, our **interest is more about getting on with our lives than staying here hoping the right buyer shows up.** How much less would it have to be for you to be interested?
We wouldn't want to pay more than $175,000 but we have **excellent credit** and my lender has **already approved us** to this amount and assured us it would go through **quickly**!	That's a lot below what we were thinking. I guess I can come down a little if it closed quickly but I really couldn't go below $185,000.
Maybe we could get up to $185,000 if the appraisal supports that much. If it's more, it's still $185,000 and if it's less, the price will match the appraisal if we agree to buy it.	That sounds fair. It's a deal!

In this example, the buyers have already done their homework by looking at real estate listings in this area to get a feel for the market value of the house. Although the market value and final sales price aren't directly tied together, it will give them a feeling of whether they can afford to be looking in this area. Also, this means they do not have to start with the position (price).

Once they know they can afford it, they talk with a lender to get an approved limit so they can speed the paperwork afterwards in case they find a seller that wants to move quickly.

By asking the seller why he/she wants to sell, they are trying to determine the interests <u>behind</u> the price. If the seller had said, *"Our family has grown and we're looking for a smaller house"*, they may not be as much in a hurry to sell as the relocaters and be firmer in their pricing.

Since they took time to determine the sellers' interest of getting to their next neighborhood in time for their children to get registered for school, they were able to touch those interests (words in bold blue) by making the statements they did.

This also gave the seller a graceful way to reduce the price to speed the sale without appearing to be "beaten down" by an aggressive buyer.

The more time spent trying to identify the other person's interests behind the deal will give you more opportunities to **present various options** that may appeal to the seller.

Here is another situation that should help you understand the different between positions and interests.

You are a department manager who had a key project leader go on leave and will be out for the next 8 weeks. The executive sponsor for an important department project just told you that it has changed from a "hold" status (why the former project leader was able to take leave) to "active" and she wants it ready for implementation ASAP. As the manager, you have met a consultant that you believe could do the job and want to call her/him in to negotiate a contract for this project.

This is confidential information known to you:

The Department Manager's Confidential Information

You can only spend $10,000 and do not want to "borrow" against any other accounts or projects you have planned. You have a 6-week deadline on this project.

You would like to get it back in 4 weeks in case it needs rework before the deadline. It would be nice to have a reliable resource like this consultant you can count on for unexpected events just like this. It would be good to see how they work on a small project like this before you consider them for larger ones.

The consultant likes the manager and thinks he/she would enjoy working there. This is the consultant's confidential information:

The Consultant's Confidential Information

You normally charge $20,000 per month and do not have anything else planned for that month. It would be great to "get your foot in the door" with this company but do not want to appear too anxious. You fear that going below your normal rate will set a dangerous precedent that will keep future billings here lower than you would like.

It will take about $11,250 worth of expenses to complete the project and you want to make at least $8,000 of clear profit.

Negotiation #3

A Focus on POSITIONS

| Department Manager	Consultant
I have a short term project in your specialty that I need completed in one month. (The project is described to the consultant.) Are you available and how much do you charge?	Yes, I'm available and can do that for you. My monthly rate is $20,000
I'm sorry but $20,000 is way beyond what I have available? I only have $9,000. Will you take any less?	I may be able to come down a little but certainly not that far.
The discussion becomes a 'give and take' as each side tugs on that $20,000 amount. The manager is trying to pull it down and the consultant is trying to keep it up without looking like they're giving in too easily. They may or may not reach a satisfactory agreement.	

A Focus on INTERESTS

Department Manager	Consultant
I have a short term project in your specialty that I need completed in one month. (The project is described to the consultant.) Are you available and how much do you charge?	Yes, I'm available and can do that for you. My monthly rate is $20,000
I'm sorry but $20,000 is way beyond what I have available? **Can you help me understand what all goes into that amount?** (The invisible reasons behind the position.)	Well, there will be a **significant amount of expenses doing this project in relation to duplication, administrative support, leasing some specialized equipment, and of course, there's the profit I need to stay in business.**
I don't want to know what your profit is but **if there is a way we can provide the duplication and administrative support you need plus allow you to use our equipment, would that reduce your expenses, still allow for your profit, and come within the $9,000 that I have available?**	Yes, let me look at it a little more but I think that will work.
The manager has been able to get what he/she needs by taking time to find out the **invisible reasons** behind the **position (price)**. If they had started with the **position (price)**, they may have never gotten off of it. By focusing on interests, a lot of alternative options become apparent and each ends up with what they want.	

Try talking to potential vendors and comparing your interests in what each of you are looking for in a successful relationship instead of just focusing on costs and schedules. You will be surprised at how much better the process works!

The Secret of "WIIFT*"

"*WHAT'S IN IT FOR THEM?"
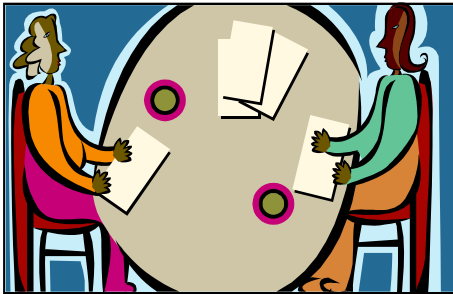
How does the question, *"What's in it for them?"* relate to our previous comments about interests vs. positions?

Why would it be useful for you to make that connection before you start negotiations with a vendor?

"When your employees get what they want, you'll get what you want!"

That is from Zig Ziglar, (www.zigziglar.com) a famous motivational speaker.

How would his statement about dealing effectively with employees help you become a successful negotiator with a vendor?

Try asking yourself this question:

"How can I make it easy for the vendor to help me get what I want?"

Helping them get what they want in a relationship will help you get what you want throughout the life of the contract!

Remember, signing the contract with the vendor is only the **START OF THE RELATIONSHIP**. If you beat them down too far, they may not have the resources needed to support your project or they may become more focused on "getting even" than delivering services.

More Positions vs. Interests

Focus on both sides' interests and positions

Suppose you are thinking about a vacation and want to talk it over with your "significant other".

What positions might each side take?

Kinds of Interests

Let's explore the kinds of interests negotiation participants may have. Interests can be:

- **"COMMON INTERESTS"** = we both want that same item.
    - o Example: *The husband and wife each think a recliner would be good to have in the family room.*
- **"NON-CONFLICTING"** = one side wants something and the other side does not care one-way or the other.
    - o Example: *The wife wants a beige recliner to match the carpet while the husband does not care what color it is.*
- **"CONFLICTING"** = if you get your interest, I cannot get mine.
    - o Example: *The husband wants a recliner, his wife wants a new carpet, but they cannot afford both.*
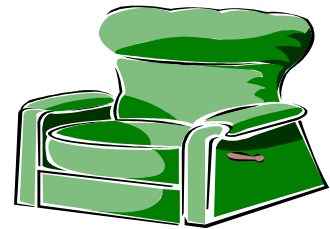
What would be examples of these when a T&D Project Manager is considering a vendor?

SHARED	NON-CONFLICTING	CONFLICTING

External References
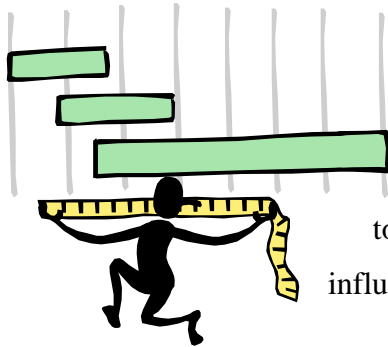
Negotiators can reduce the potential of conflict by suggesting the use of some external reference that neither of you can influence.

Suppose that you wanted to buy a used car. What could you use to determine a fair value that neither you nor the salesman could influence?

What kind of *external reference* could you use when negotiating these issues with a vendor?

THIS ISSUE	USE THESE EXTERNAL REFERENCES
Using your instructors instead of theirs to teach the on-going material	
Trying to determine the hourly rates for developing materials	
"Reasonable" prices for travel and lodging	
Allowing the vendor to make a reasonable profit	

	DEVELOPING YOUR NEGOTIATING STRATEGY FOR A REAL PROJECT
1.	Describe the project for which you want a vendor:
2.	List **common interests** you think you share with the other side:
3.	List options that you can suggest based on those **common interests**:
4.	List interests that may be **non-conflicting** between the two sides:
5.	List interests that may be **conflicting** between the two sides:
6.	List any **external references** that can be used to reduce potential conflict:
7.	What possible consequences are there for the <u>other side</u> in not reaching an agreement?
8.	What are possible consequences for <u>you</u> in not reaching an agreement?
9.	What is the **least with which you will be satisfied?**
10.	What is **your range of possible offers**?

What You should Expect from Your Vendor

Although we have covered many of the topics that will appear in any negotiation, there are still some other considerations that will help you determine your final choice of vendors.

The Vendor's Understanding of Organizational Culture

We have referred several times to the importance of including considerations of the organization's current and desired cultures in any plans for developing the workforce. Make sure any discussions with potential vendors include their thoughts on how they would deal with this issue.

Vendor Provide All or Just Parts

Suppose you are given the responsibility of *"Getting our company a Leadership Development Program that will get us going in the right direction!"* There are many options when looking for a vendor in a situation like this:

1) There is a **"turn-key"** selection (like turning the key in a new car and driving off the dealer's lot)

    a) The vendor designs the entire program which may include:

        i) A "Future Leaders Program"

        ii) A selection process for the Future Leaders program

        iii) An evaluation process of the Leadership program

        iv) A series of tests or staged challenges in which the Leadership skills are evaluated

        v) Possible modification of the organization's annual performance assessment process to take into account the application of increased leadership skills

    b) They design the courses taught within it

    c) They provide the materials (participant manuals, name tents, pens, classroom) for the courses

    d) They provide the instructors for the courses

2) There is a **"plug-and-play"** option that allows a vendor to insert specific segments into the program

   a) The client develops the structure of the program

   b) The vendor develops the courses to be taught within it

   c) The "plug-and-play" has options within it such as:

      i) The vendor teaches all courses

      ii) The vendor teaches the client's staff to teach the courses

      iii) The vendor provides all materials for the classes

      iv) The client buys rights to the materials and supplies all materials for the classes

3) There is the **"Vendor-as-Project Manager"** option

   a) The vendor, as an expert in T&D matters acts as the PM and finds subcontractors for the program development, classroom, and materials issues

Lump Sum or Line Item Payments

Determining when to ask for details of payment and when to settle for lump sum varies with the people involved and the nature of the project.

However, it is critical to consider that the vendor needs to make a reasonable profit so they can stay in business and complete what they have started with you.

Likewise, as project manager for your organization, you need to be accountable for the funds spent on the project. This discussion is very much like the "interests vs. positions" that we covered back in the negotiation chapter starting on page 36.

"Line item" details for expenses such as travel, food, and lodging are reasonable. These are typically passed through to the client without markup via actual (or copies) of receipts. (Using

your company's travel policies and travel department, if you have one, is an excellent way to control costs.)

Line item details on the costs of participant manuals are not as easily determined because the vendor needs to be paid for the time spent developing the course as well as reimbursement for the production of the materials. Frequently, there are **"course development charges"** paid to the consultant as part of their professional fee and then direct costs for the production of each manual used in class is reimbursed.

Try to avoid the temptation of limiting consultant fees by asking, *"What is you hourly fee, and how many hours do you think it will take to develop this class?"* Although it may sound logical, there is the temptation to ask, after seeing the course material, to say, *"Why did it take 40 hours to develop this? Couldn't you have done it in 35?"*

It is difficult for creative people to estimate how long it will take to produce a work for a client. Creativity and inspiration do not occur on a schedule – "writer's block" is a real phenomenon and is unpredictable.

It is easier to maintain good relationships (and less stress on everyone concerned) by saying, *"I will pay $10,000 for you to develop a 2-day course for my organization on leadership fundamentals. I want to see a draft in 30 days and a final version in 60 days"* than it would be to justify every hour spent on the project.

Vendor Pedigree

"You can't go wrong if you buy IBM" was a common statement used by purchasing managers when computer technology in the workplace began growing in the 1970s. There were plenty of "upstart" companies like Apple, Texas Instruments, Osborne (who?) that promised great things but who did not have the history in computers (did anyone at that time?) to easily justify a major expenditure with them.

So, to make sure no one could come back at them later if the product failed, many buyers were willing to pay premium prices based on the name IBM instead of taking a chance on the "unknowns". Their rationale was based more on saving their own hides than getting the best value for the company.

The more than you understand about what your organizations needs in terms of measurements and specific outcomes means you will be in a better position to obtain the best value for the company. That means a small company wanting to build a reputation may work harder for you than an established one that may simply be going through the motions of service.

Group Activity

List some advantages and disadvantages of using a "Big Name – More Expensive" vendor and a "Little Name – Less Expensive" vendor in a T&D situation

BIG NAME		LITTLE NAME	
Advantages	**Disadvantages**	**Advantages**	**Disadvantages**

What the Vendor Should Expect from You

Ask yourself and key people in your organization, "Why would a vendor want to work with us?" and see what answers you get. Take some time to think about vendors you have had in the past and how you would describe the relationship you had with them.

If there is a common theme running among the vendors from your company's perspective like "we always had to stay on them to get what we want", ask yourself this question: "Is there a common flaw *the vendors share* or is there a common flaw *in our relationships with vendors?"*

In other words, your organization may be the problem! Here are some thoughts taken from our PDH course **P125** *Creating a Successful Vendor Relationship* to help you determine your organization's way of dealing with vendors.

How Do We View Vendor Relationships?

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

The price for the product or service	
Importance of <u>client</u> problems	
Importance of <u>vendor</u> problems	
Flexibility in contract terms **for the client**	
Flexibility in contract terms **for the vendor**	
Commitment to the success of the relationship **by the client**	
Commitment to the success of the relationship **by the vendor**	
Procedures for conflict resolution	
Determination of formal and informal communication channels	
Progress toward achieving desired business results **of the client**	

Progress toward achieving desired business results **of the vendor**	
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 **for the client**	
Flexibility in contract terms **for the vendor**	
Commitment to the success of the relationship **by the client**	
Commitment to the success of the relationship **by the vendor**	
Procedures for conflict resolution	
Determination of formal and informal communication channels	
Progress toward achieving desired business results **of the client**	
Progress toward achieving desired business results **of the vendor**	
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

Ask yourself, "Why are we hiring this vendor? Is it because we see them as experts who will tell us *what we need to know* or because we seem they as compliant who will tell us *what we want to hear?"*

We will briefly 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 <u>width</u> of the performance gap? (Typically your teacher or parents)
Who *controlled* <u>where you performed</u> within it? (Typically you did!)

┌───┐
│ "The Most I Can Do" = **COMMITMENT**   │
└───┘

┌──┐
│ Who controlled where you performed   │
│   │
│ within this gap? (You did!)   │
└──┘

┌──┐
│ "The Least I Can Do To Get By" = **COMPLIANCE**   │
└──┘
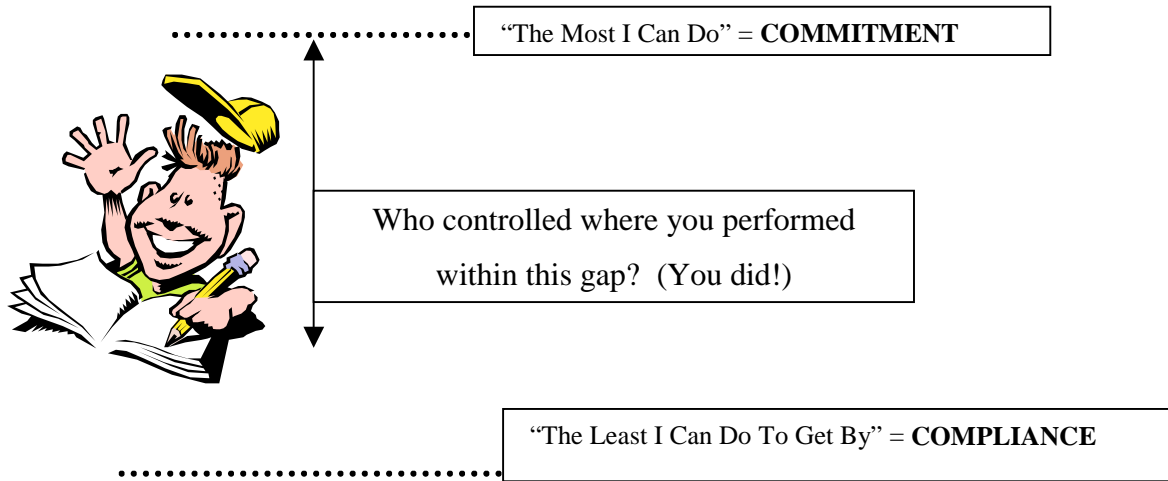
Moving out of school and into your work life, think about: *Who was the best supervisor you have ever had?*

> THEIR NAME: _____

List <u>three</u> 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?*

How would these questions relate to an organization and a T&D vendor? (The way the client treats the vendor will determine whether the vendor works with an attitude of **compliance** or **commitment.** Regardless of how tightly a contract may be written, there is still a measure of discretion available to the vendor and <u>they way the client treats them will determine where they work within that discretionary range.</u>)

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