



## **Determine competencies to manage vendors**

How do you assess specific skills and expertise a vendor manager will need? Not all projects or programs are the same, not all companies are the same, and not all vendor relationships are the same. There is not a universal, "one size fits all" skill-set to be an effective vendor manager. Many factors determine the competencies (or capabilities) needed.

A competency model and set of profiles for vendor managers should be driven by what is needed to get the results and outcomes specified by the business needs and strategy. Deviations, compromises and shortfalls will tend to reduce effectiveness of a particular role.

### **Factors for assessing competencies**

Below are ten typical factors that are more influential in determining competencies needed, in what priority, and to what depth. Think180 has identified a further twenty key factors that are part of the assessment and planning of competencies required in vendor manager roles.

1. Lifecycle responsibility - whole process, or a single phase (mostly delivery)
2. Relationship with vendor - transactional, or partnering (collaborative)
3. Project or program - deliverables and milestones vs. service levels and quality
4. Extent of integration of vendor work or facilities into client business
5. Balance of expertise - with client, or with vendor
6. New or ongoing project/program - kick-off vs. maintain (or fix)
7. Project complexity, size, budget, depth
8. Location (and culture/language) of vendor - same city, same country, remote, global
9. Governance requirements, structure and process
10. Level of responsibility, discretion and accountability of vendor manager

Part of the approach is to look at factors as a set rather than one-by-one. For example, a complex project, large budget, and a high level of accountability, means the vendor manager needs a good depth of expertise in financial management and analysis. A project that is integrated with company business, with multiple stakeholders and complex governance structure, means the vendor manager needs strong communication skills in liaison and negotiation.

### **Key competency areas** (typical, broad categories shown - refer also to previous posts)

Competencies are built around the job to be done, and the combination of key factors and variables in the work, department, subject matter, team, business, processes, expectations. In the outsourcing lifecycle, how the stages are managed, and by whom, is a key factor.

These are the ten most crucial competency areas that apply to some degree to most roles:

1. Business and financials - budgets, analysis, forecasting, cash flow
2. Governance - contracts, risk, metrics
3. Management and leadership skills - as applied to outsourcing
4. Communications - explanation, meetings, negotiation
5. Relationship management - ranging from transactional to partnering
6. Project management - by timelines, milestones and deliverables
7. Program management - by service levels, quality and value
8. Problem-solving, including other stakeholders
9. Operations - logistics, processes, integration
10. Subject matter expertise - for the work and the processes

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### **Benefits of strong capabilities**

When employees are skilled at managing vendors, or there is strong collective expertise in teams and the sourcing and management chain, then the higher the Leveraged Employee Value\*, and the greater the overall results from outsourcing. Some potential benefits are:

1. Better control of projects and programs - time, cost, quality
2. Earlier identification of problems and emerging risks
3. Greater ability to contain and solve problems quickly
4. Improved vendor relationships, that help smoother delivery
5. Identifying opportunities for cost savings
6. Stronger ability to see and implement operational improvements
7. Insight into vendor operations for greater efficiencies, or early warning signs
8. Stronger base when negotiations are required
9. Less time wasted in assessing what is going on in a given situation
10. More effective and efficient review of deliverables and/or service levels

\*Where all work is done in-house, collective employee talent, deployed in a set of roles, yields "Total Realized Value" (*Steven Goldberg* - <http://www.accer.com/trv>). When employees manage outsourced functions and vendors, the yield can be seen as "Total Leveraged Value".

### **Risks of competency shortfalls**

Conversely, there is risk from low expertise in key aspects of a project or program. Some aspects are crucial, some are low risk, and some have tolerance to "just get by" without too much consequence (or at least not ones that are obvious). These are just a few of the risks:

1. Missing warning signs of problems looming
2. Giving away advantages to vendor
3. Allowing vendor to control things that client should control
4. Reduced ability to assess vendor delivery
5. Time wasted doing things clumsily
6. Spending (or allowing spend) unnecessarily
7. Potential costs by allowing quality to slip
8. Slippage in timelines and deliverables
9. Time and goodwill lost through conflict or combative relationship
10. Frustration by internal stakeholders and governance team

### **Warning signs**

What often indicates that greater competency is required in the specific aspects of managing vendors is when delivery or relationship problems arise, there is visible waste, results and deliverables fall short, or vendors are felt to be in control or unresponsive.

When these delivery or relationship problems arise, the required (or easy) fix may often be seen as a workshop or other form of training for the vendor managers. But during the training, when the vendor managers begin to review their work against the models and techniques presented, the inherent, systemic problems come into sharp focus.

These systemic problems can include loose or inadequate definition of Service Levels, agreements that omit key assumptions, or absence of plans for ongoing requirements for vendors maintaining skills levels and knowledge of client processes. These inherent problems are not fixed simply by delivering training to the Vendor Managers. But a workshop where Vendor Managers can diagnose and address real problems is of value.

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### **Development options**

When competencies (or capabilities) for a vendor manager role (or set of roles) are assessed, defined and prioritized, the next step is to plan and build these for the vendor managers. The following are some of the sources of learning:

1. Professional education/course (such as project management, finance, logistics)
2. Required study program driven by employee development, or employee initiative
3. Coaching by manager or experienced vendor manager
4. Internal Training and Development courses, or brown-bag lunch events
5. External public courses or other events
6. Online and media-based learning (podcasts, e-learning, videos, audio)
7. Special in-house workshop or team event on managing vendors
8. Webinars and videoconferencing
9. Supervised on-job experience and feedback
10. Trade shows and industry outsourcing events

### **Planning for capabilities**

An often overlooked area of planning in manager development is preparing professionals and other employees to manage vendors. In IT Departments, Project Management certification may be seen as sufficient preparation to manage vendors. But Project Management expertise is only part of the overall capability required.

Depending on who defines the competencies, some of those definitions are valid, some may come with a price of reduced effectiveness when sub-optimized to meet other agendas, local interests, headcount constraints and other company priorities.

Who defines the Vendor Manager role? Is it Sourcing (Purchasing), the outsourcing Department or manager, HR/OD, or a governance team of stakeholders? The ways competencies can be defined and the development planned should not be simply "textbook", but related to "real-life" and the needs of the department. Even so, a strategic competency model is a logical starting point.

Planning for training and building capabilities for Vendor Managers needs to be done as an up-front part of the overall outsourcing planning, and not as a response problems and issues arising once the work is already underway.

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*Jim Everett has extensive corporate and consulting experience in management development, design and implementation of performance review systems, outsourcing competency assessment and training, managing national partner programs, team management, and assessing company training and development needs. Think180 has conducted workshops in vendor management and partnering for numerous large corporate clients.*