



## **Podcast Series – “About Managing Contractors and Vendors”**

### *Episode 6 Transcript: Choose a Vendor - Preparing To Select*

You will find this episode helpful once you have defined and scoped the work to be outsourced, and you are ready to start evaluating vendors. You want to select the right one for your project – the vendor who will deliver the results you need in the way you want.

In Episode 5, we talked about scoping the work. Now that you have done that, you know what needs to be done and how you want it done. You can begin the selection process. Getting properly prepared before you make a selection can help avoid the hassle and extra work that can come from engaging a vendor who does not fit.

The first thing you need to do is to figure out what kind of vendor you need. List what capabilities, experience and approach they should have for this particular project. What kind of business model do you expect them to have – one that will work best for this project or program with your company.

What kind of vendor will deliver the results you need, adapt to changes, and accommodate the workloads your project will have? You need to check back with your business or operational reasons for outsourcing this project in the first place, and note the priorities.

Maybe you already have a vendor in mind. Even so, are they the best fit? Do you need to look further? It is important that you reduce the risk that you choose or engage the wrong vendor. Unless you get the best fit for your needs, you could make extra work for yourself and compromise the results. So here are some tips.

1. Using a Request For Proposal. Unless you are convinced that you have a best-fit vendor available, it makes sense to create a Request For Proposal, or “RFP”. If you are sourcing a vendor from scratch, the RFP is critical in this process.

For small jobs, you may not need an RFP process, particularly when you’re already working with a vendor. But you will need to create a Statement of Work that sets out the job to be done, terms and conditions, and underlying assumptions. If you are reviewing or continuing a contract on the same work with a vendor you are happy with, there is no need for an RFP.

Now you are ready to create your RFP – and this is a real art. Anyone can put together a quick RFP, but there is skill and solid thinking required to create one to be the foundation of selecting and engaging the best-fit vendor, and creating an effective business outcome.

2. The role of Purchasing. Many companies require vendor selection and engagement to be done by the Purchasing Department. Often, Purchasing will have a list of preferred vendors, as a way of streamlining and controlling external resources used by the company.

The difficulty is that Purchasing may go for the lowest-bid, or take a commodity approach rather than integrating best-fit vendors with the business. You may be expected to choose from the preferred vendor list, unless you can present a compelling case for an alternative.

Very often, Purchasing is responsible for payment of vendors, and therefore has a vested interest in ensuring that deliverables and service levels specified in the contracts are met across the whole company. If you go to Think180's website, you'll find a popular article about the involvement of Purchasing Departments in the vendor selection and management process.

3. Going outside the Preferred Vendor list. You may need to put forward a case for skills and expertise that is not available within the existing list, or a vendor with the ability to complete the project within an unusually short period of time. If the vendor is working closely with your team, or delivering critical support to a customer directly, then the vendor's style and their unique business model may be a critical factor.

4. Style of vendor and relationship. What kind of relationship will the vendor have with your company? Are you looking purely for delivery against set standards, or will you be meeting with them and planning as you go along? For more about the differences between delivery vendors, and those who integrate more with your business, refer to the Think180 matrix article on our website. It will guide you in setting priorities in your selection criteria.

5. What to include in the RFP. The purpose of the RFP is to provide the vendor what they need to create a realistic proposal and to put forward their best approach and estimate. It also helps ensure that all vendors propose against the same set of requirements. This makes it easier for you to compare one vendor against another.

There is a short article on Creating Effective RFPs on the Think180 website. In our workshops and consulting work, we provide detailed guidance and coaching to our clients in creating effective RFPs. There is also other helpful material on the market in books and online..

6. Disclosing the budget – quite a sensitive issue. This question often comes up. Do you tell vendors the budget for the project a program? In my experience, some guidelines here for the vendor who is proposing are very helpful. Helpful to the vendor in gauging the size and standard of the project or program, and helpful to you in having the vendors bid against a common understanding.

If you don't give them some indication of the monetary value, you may find you have wildly differing proposals, with those at the high and low ends way out of alignment with your needs. In practice, you need to look at it on a case-by-case basis for each project a program. Clients often often ask us to work with them in making judgments like this.

7. What makes a good RFP? The best RFP is one that clearly explains the work to be done, size and scope, the standards you want, how you want the vendor to work, and what will be important to you in choosing the right vendor.

Clearly, there are many elements that go into making up effective RFPs, but I will list ten that will give you a good start.

- The program background is explained and objectives for the program are listed
- The work requirements are clearly described, including assumptions
- Cost constraints and priorities are spelled out
- The scope of the work is clearly and unambiguously defined
- Milestones are defined, and schedules clearly set out
- Service levels required are described in clear detail
- All information required for an effective response is listed
- Other information you need, such as previous work the vendor has done, is requested
- The format required is clearly shown. This is to increase consistency between proposals, and make them easier to compare
- An appropriate time is allowed for vendors prepare proposals

8. Where to find potential vendors to propose on your job? Here are a few places to start...
- Vendors who have worked with your company before, or who have been checked and listed as preferred vendors (possibly prepared by Purchasing)
  - Vendors you have worked with before with other companies
  - Professional organizations and associations, or trade journals
  - Checking with your network of colleagues in other companies
  - On-line directories, advertisements and buyers' guides
  - On-line searches and reviews of vendors' own websites

9. Getting the RFP out to the candidates. Now you have your RFP, and you have identified a list of prospective vendors to send this to. You can create your cover letter, inviting proposals. Before you send this out, it is important to make personal contact with the vendor, so that you have a clear line of communication, and have identified the person to address the proposal to. They also know who they can go to for any clarifications.

10. One more thing. Once you have sent out the RFP, if you do get questions, requests for clarification, or even time extensions, it is important and ethical to then share your explanation, additional information, or leeway, with the other candidates, not just the ones who ask.

I hope this has provided you with some basic information to help you get started. As I mentioned, there is more material and resources available on the Think180 website. Just click and go to "Ensure Vendor Effectiveness" page, then note the resources listed at the right, including a link to these podcasts and the transcripts as PDFs. And if you need our services, Think180 is available to provide training or experienced consultation.

In our next episode, we will look at reviewing vendors against the selection criteria. We will cover how to interview and compare, and do additional checking ("due diligence"). We will give you tips on how to make the final selection before moving forward and offering a contract.

Thanks for listening. I hope this has been helpful to you in preparing for your vendor selection. As always, we welcome feedback and success stories, as well as questions you may have. Please feel free to share this podcast with your colleagues. Our e-mail address is [podcast@think180.com](mailto:podcast@think180.com).

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