



Podcast Series – “About Managing Contractors and Vendors”

Episode 8 Transcript: Selecting the Right Provider

This episode is about making sure you choose the right provider or vendor. I will touch on important considerations for selecting a vendor or service provider.

Often, the first thing a client looks at is price. This needs to be weighed with the level of service and quality the provider has outlined in the proposal.

But we go beyond simply weighing the price and services, and look at key factors that influence the results you will get, and what it will take to manage the provider and relationship.

We also look at the hidden risks and costs, as well as selecting a provider who will adapt to meet future needs. If you have been given the role of selecting a vendor or service provider, and want to make the best choice, then this podcast will help.

You will find more resources at our website Think180.com. If these podcasts are helpful, consider an on-site workshop by Think180 for your company's Delivery Managers.

If you have not already listened to Episodes 5, 6 & 7, I suggest you do this first to get the best information for the full process.

In Episode 5, we covered how to define the work to be done by the provider. In Episode 6 we introduced the RFP, or request for proposal, which tells providers how to submit their proposal for the work. And in Episode 7, we covered basics of developing the criteria to compare providers and make your selection.

So now we examine how you make your comparison and final decision.

Remember, providers are proposing against the RFP and the information you gave them. One of the first things that you should look at is how closely they shaped their proposal to what you asked for in the RFP.

Also, and importantly, if you gave no information on budget range in the RFP, then you can expect quite a variation in the quoted prices. This is why it is usually wise to give the provider some indication of budget, to help them get a sense of what deliverables you're expecting.

Let's look at the selection decision process. Who will manage it - the Delivery Manager, the Department Manager, Purchasing? Are there other stakeholders that need to be involved. How will you review and compare the proposals?

If you have a number of proposals, look for anything that rules out some of the candidates. Let's call them "knockout factors". Even so, it's still worth checking to ensure those providers understood what you're asking, before you rule them out.

Do not just choose a provider based on their proposal alone. Use this as the basis for a deeper review. Bring in key contacts from the provider organization. Ensure a due diligence process. Purchasing may already have this in place.

However it is a good practice to see how closely the provider has complied with your request for proposal. It is an indication of how well they listen, and provide solutions to the needs you have expressed rather than to suit their own business model. Have they included any added value in their proposal?

If all proposals come in at about the same price, this tends to validate that as the effective price point for the project. If there is a wide variation, you need to explore why this is the case.

While it may be that the low provider is offering a reduced service, it may also be that their structure is very efficient so that they can keep costs down.

High-end pricing can suggest the provider is offering more than you expect or need, or it may be that they have a complex business structure with high overheads.

Visit the provider organization and their workplace. Know what their business looks like. What is their corporate culture? See the working environment of the employees who will be assigned to your project.

Examine the organization structure and business model. Look at how they allocate work and do their communications. These can affect the speed of response, and costliness of changes.

If the provider also uses other providers and vendors to support them, review their supply chain and see which other vendors will be working on your project.

Have each provider who is proposing give a presentation to your selection team. Make sure the provider presentation team includes the manager for your project who will make decisions and ensure delivery, not just the sales person.

This is a good stage in your process to review the 12 broad selection criteria that were included in the transcript for Episode 7, available on the Think180 website.

Use the Think180 Outsourcing Matrix from our website, to review your priorities for selection based on the type of relationship you will have with the provider.

So let's look at other factors that are important.

Contingency. What happens if a key resource your provider uses for your project gets sick or leaves? Will that impact your project, and does the provider have any backup. Is there a scarce or unique expertise, around which your project revolves?

Timeline. Are provider resources allocated for specific time blocks in a project timeline? What happens if the project slips at your end, or needs to be wrapped up for earlier completion? Will those resources allocated to your project be available?

Scalability. Is the provider equipped to deal smoothly with greater or lesser work loads as the project moves forward?

Briefing. You will invest effort and time to bring the new provider up to speed. Will this briefing then be passed on within their company to the resources carrying out the work? Or even to a third party? Will the same set of resources stay with your project, or will they turn over? How well will all the details, as well as the nuances and specific requirements, get communicated, and stay communicated?

Halo Effect. Take care that you do not ignore a knockout factor in a crucial area and select a provider that could be unsuitable, simply because you like working with them and they have strong attributes in other areas.

Discomfort. If you or anyone on the selection team feels uncomfortable with the provider, it is worth exploring further. Find out what it is that creates the discomfort. It may be unfounded, or it may be an intuitive sign of something that is not right.

Persuasion. Are you finding yourself over-reliant on the provider's promises, without the necessary validation and due diligence to ensure that they have the capacity and intent to meet these?

Problem-Solving and Crisis Management. Do they require a whole crew to be assembled before they can act? Are they in alignment with your company in their methodology and approach to handling issues? What is their escalation path and process. If it is too many levels and cumbersome, they may be slow to take action.

Staffing. Are they equipped with the people and talent right now to begin, or do they have to gear up? Can they get the resources and bring them up to speed in time, or will it be a problem? This is one area of the provider's business you do need to concern yourself with.

Financials. How well placed is a provider financially, and with the market leverage, to get the resources for your project. Do they have the business model to secure the resources within budget limits? If your provider is going to have a budget issue, ultimately that will affect you. What will their supply chain look like, and will it affect your level of control over the project?

Pricing. Before you engage a provider you need to go through with them the key assumptions their pricing is based on. If their pricing is wrong in one way or another, or there are hidden costs, it will come back to bite both client and provider.

For your final comparison, you will find it helpful to create a table of factors, listed in priority order on the left column, with the providers across the top. A rating for each provider can be given against each of the factors. This allows a visual snapshot of how each compares against the top priorities.

Make sure you carry out your due diligence. Do business checks on the provider. Contact the references, and verify their claims around previous work they say they have done.

Once you make the final selection, you need to go over with the selected provider any minor details in preparation for the engagement.

Then notify the unsuccessful providers with courtesy. After all, if the first provider proves unsuitable for any reason, you may need to get back to the other providers and renegotiate with them.

Remember, every piece of information in the RFP, the discussions in the selection process, and the due diligence you do with the provider, are forming the foundations for the agreements, contracts and working relationships that will emerge.

I hope this has provided you with information to feel confident in moving forward and making a good selection.

There is more material, and resources, on the Think180 website. Just click "Ensure Vendor Effectiveness", 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 can provide training or experienced consultation. Our workshop "Managing External Resources" is very customizable to meet your company needs.

In our next episode, we will address some of the key elements of contracts and agreements you need to know. In most cases you will be working with Legal or Purchasing. But you still need to shape the agreements that spell out the work and processes.

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. Thanks for listening.

Jim Everett
Think180™
jgeverett@think180.com