

## **Performance? Results? No worries, I know they like me...**

**By Carole Hussey, PMP**

*If you don't take managing your vendor relationships seriously, you may be OK, for a while...*

I had a new consulting engagement and I carefully prepared myself in every way that I could think of, and I was ready.

As I entered my new client's facility for the first time, I felt like there must be some mistake. I looked around the meeting room and observed ruffled curtains, candles on the tables, and people hugging each other as a standard form of greeting. While I waited patiently for everyone to sit down and get moving on the business at hand, a lady entered the room with fresh baked cookies and cider. One person even brought her dog. More people filtered into the room, talking about their weekends, their children, and their health. After patiently waiting for nearly ½ an hour and eventually finding my own seat with no introduction, the meeting finally began. There was no agenda, no structure, no decisions, no action plans and no direction.

When there was nothing left to talk about, the meeting ended and people began leaving. I left wondering how I was going to deal with this.

I'd been hired as a project manager to manage projects that included a team of both public sector and non-profit organizations. The contrast of these cultures to my background in finance and IT could not be more pronounced. I calmed down, "when in Rome..." and all that, and rather than come out swinging and upset what had been there before I arrived, I thought it best to spend some time learning about the business and observing the culture before taking any action. This, in hindsight, turned out to be a huge mistake.

An initial indicator that something was amiss was that contractors were involved in activities that are typically not part of a client vendor relationship. Other contractors and I were invited to staff development days, team building events, conferences, and even informal dinners with staff at their homes. At some of the events the other sub-contractors provided alcohol and entertainment. They even led the charity golf team to raise money for the client organization. On a regular basis, they took the CFO and

Founder out to lunch. It didn't seem to occur to anyone that this was not typical of a client/vendor relationship.

Another indicator was that it was standard practice for the client to invite the sub-contractors to Management Team Meetings. At these meetings they discussed staffing/personnel issues, prospective projects and business needs, budgets, and more. It was certainly unorthodox for a client to include a vendor in such meetings, but this was apparently how it worked for this organization. This would certainly present potential conflicts of interest, and provide the vendor with insight that would allow him to capitalize on the information that he was privy to.

Unfortunately, this client is not unlike many others out there who are unfamiliar with vendor management best practices. The vendor had been with them from the very beginning. They plucked him out of the yellow pages, without any research. That fateful day that John, the vendor, answered the phone, turned out to be the best contract he'd ever had. John helped them successfully respond to an early need they had. They trusted John, and they liked John. And, truth be told, John had earned that.

Some would ask, what's the problem? Let me give you the rest of the story...

In spite of the fact that the client was initially very happy, John began to make changes. One example was his decision to hire programmers, rather than continuing to use the outsourced programmers that had built the existing systems. This decision was prompted by John's desire to increase revenue for his firm. Although this news didn't go over well with the client, he assured them that it would be a seamless transition. It wasn't. And, other similar examples began to surface.

The quality of the work went down hill significantly, as John made more of these changes. The level of responsiveness also suffered. To make matters worse, John took further advantage of the situation by submitting frequent change orders for ever increasing amounts of client expense. It took awhile, but his conduct eventually resulted in the client feeling unsatisfied and frustrated. At one point, they told me that they felt like they were being held hostage. They didn't know what John did, and were afraid to move to another vendor. The trust relationship deteriorated rapidly.

And so it went. The client finally realized that something had to be done to improve the vendor's performance. They called me to a meeting and asked me what they should do. They told me that they recognized that they were partially at fault for the situation. Remember the mistake I told you about? I should have taken more initiative to address this with the client earlier, instead of waiting for them to come to me, so that things wouldn't have progressed as long it did. The point? That very day the client made a commitment to own the vendor relationship and to manage all of their contracts more stringently. It became evident to all concerned that the projects were not IT projects; they were business projects with IT components.

As for outcomes, one thing that the client ultimately committed to was to go back to the beginning and clarify the vendor performance expectations. After formalizing what results were expected, as a team, we were able to identify service level agreements, performance metrics and a plan for achieving these results. It didn't take long for the client to realize that managing the vendor's performance was a huge improvement. They were beginning to feel empowered. They were taking back control of the contract and what would be produced on their behalf.

Obviously, these changes were communicated to the vendor, John, and he began to be held accountable for his contractual obligations. The management team decided that it would no longer be necessary for John to attend management team meetings. They also realized that it was inappropriate to accept lunches or gifts from him. This was a very difficult transition for everyone to make, at first. As the benefits (reduced cost, measurable performance) began to surface, it made the transition irreversible. This was an invaluable lesson learned by my client, and, they knew it.

With renewed focus on vendor performance, the relationship between John and his client became ever more fractured. In the end, the client decided that it would be best to see what other vendors could offer. As they became better at managing the contract, that original fear of moving to another vendor had dissipated. They put the work out for bid. This process allowed them to start fresh by establishing control of the contract, defining quality service delivery requirements, and obtaining competitive pricing. John was encouraged to respond, but he chose not to. Bids were received and the new

vendor was selected. The client ended up saving a significant amount of money, and learned the value of formally managing business relationships.

The basis of a constructive and positive client-vendor relationship begins early with the definition of business requirements and how they will be achieved, by whom and when. From the client perspective, formalizing your business requirements before you contract with any vendor can't be over emphasized. If your goals are clearly defined, you will truly enjoy what follows. As for interdependencies between the vendor and of your organization, it serves all involved to be clear on these, and their timing, jointly. It is nearly impossible to ensure high-quality vendor performance without a formal agreement, which makes all dependencies by all parties, clear, as early as possible.

After this is all in place, you will be well positioned to begin a positive and productive relationship with your vendor. On the other hand, the lack of structure and formality between a client and a vendor produces unpredictable and sometimes unpleasant results, to put it mildly...

It's great if you like your vendor and their staff, but that should not be the foundation of your relationship. The essence of the best vendor-client relationships is always professionally based. At the end of the day, both parties in such a relationship know that by honoring their commitments, their positive intent will be achieved. Winston Churchill once said, "The price of greatness is responsibility." I would add that whether you are a vendor or a client in a joint relationship, taking responsibility for your commitments will favorably influence your future.

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