

THE FIVE RISKS OF VENDOR SELECTION

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An Executive's Summary...

Today, companies everywhere are challenged with the need for innovative “solutions” to *reduce costs* and overcome important *business issues*. External vendors are a very attractive “strategic option” for key decision-makers, as they look for “best-fit” solutions that will help them, not only keep-pace with the competition, but also attain a leading position amongst their competitors. Simply stated, *companies need vendors that specialize in many areas to help them grow organically*. Vendors can play a variety of roles, adding value in initiatives from tactical one-off projects, to highly strategic multi-project, long-term partnerships.

Companies are beginning to realize that, although their customer relationships are very important, and always need to be carefully managed, relationships with vendors, perhaps are at least as important to a company's long term success. Therefore, companies are beginning to realize that, by carefully managing, and growing their relationships with vendors, they will get better business results, and achieve a much better return on their investments of both time and money.

Consider this... What would be the estimated potential “cost” to your organization, of making the “wrong” vendor selection decision, particularly if that vendor is slated to provide a strategic service such as training, consulting, assessment, and/or coaching? It would not be surprising to find out that *money isn't the ONLY thing at-risk*. As well as making the *wrong selection* decision, making *NO selection decision* (always an option) because of either a lack of knowledge about your vendor choices, or about the vendor market itself may be perhaps at least as harmful.

This document, **The 5 Risks of Vendor Selection**, puts the spotlight on why more and more organizations today, including Fortune 500's, can't afford NOT to consider new, innovative ways to reduce these risks. It also presents “the case” that, if organizations improve their processes for *finding best-fit vendors* of services, and, they *better-manage vendor relationships*, they will improve their prospects of successfully solving their business challenges. Therefore, they enhance their prospects for growth.

Connect4Growth is the leader in helping key decision-makers ‘*look good*’, by helping them select ‘best-fit’ solutions that help their people and their companies grow. With Connect4Growth's new technology-based Vendor Relationship Manager (VRM) system, and their traditional “high-touch” service, our clients are on the path to reduced risk, less effort, and greatly improved prospects for growth. We show our clients how to get more “bang” for their investments in service vendors.

Connect4Growth appreciates that, within large, complex organizations, many people below the senior executive levels are integral in making vendor selection decisions. Helping these key people save time and reduce costs -- by improving their collaboration, communication, and access to knowledge -- is one of our main benefits. This document will benefit them as well, as they seek to build their awareness of resources available to them, and improve their results through better vendor relationship management.

Exposure to risk is great – be “vendor wise”

What are the “hazards” that you and your organization will face once you select an external service vendor to play a key role in your next project? **How** will you decide on an external vendor for training, consulting, assessments or coaching? **Where** will you look? **Who** will you consider, one or more firms from your *current vendor-base*? Or, will you look at a new vendor that has the capabilities and track record of results that you are looking for?

Naturally, you want to reduce the risk of making a mistake. But, reducing your risk, without high-quality, easily accessible knowledge, communicated to, and shared among your decision-makers, is difficult. You need the right “inputs” in order to *calculate your exposure to risk, and make the right decision*.

The *presence* of “knowledge” within an organization is important, but it is of little use unless all of the relevant decision-makers have easy and timely access to it throughout any important decision process. Vendor selection is

one of those important decision processes. Just as it is with financial investment decisions, your *wisest* choices are based, not only on the knowledge you have, but how wisely you use it. In training vendor 'investments', for example, it could mean the difference between a great project with 'wildly-successful' outcomes, or one that 'bombs', and leaves your firm with only costly negative repercussions, for many years to come

Don't ask IF there is risk, ask HOW MUCH risk?

As experts with a long track record in making "vendor matches", Connect4Growth has found from our experience, our clients must consider HOW MUCH risk they face. Risk can *not* be eliminated entirely, but exposure to it can be greatly reduced. With tools developed by Connect4Growth to select and manage vendors, you can improve your projects' outcomes by: (1) increasing your available knowledge, and (2) making knowledge accessible to those who need it – across the office, across continents, or across corporate lines.

Now, not only can you *accelerate* the vendor selection process, you can also achieve excellent outcomes at the *least possible risk* with Connect4Growth. We suggest that there are **five risks** that your organization and its people face as you choose a vendor, and develop a relationship with them.

Connect4Growth, the leader in solutions for reducing vendor selection risk

Connect4Growth has been the leader in the vendor marketplace for over 10 years. Our experience is unsurpassed in helping leading global corporations and Fortune 500 companies "achieve growth" through our personalized, "high-touch", precision vendor search and matching services.

Our *core strength*, and the backbone of our services, is in our large, world-class online network of over 2500 vendors, who offer high-quality 'growth' solutions in training, consulting, assessments and coaching. We have successfully married our innovative database technology to our personalized matching services to produce a service that is the 'ultimate' in strategic vendor relationship management.

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Our unique software product, **The Vendor Relationship Manager (VRM)**, is revolutionizing how companies and their service vendors work together throughout the lifecycle of their relationships. VRM is not only helping these companies make a positive impact on the primary "most-tangible" factor – *money*, it is also impacting the "intangibles" -- the things that are important to growth -- such as time, brand, reputation, and goodwill. VRM, in fact, can save thousands of dollars and many hours of time during the vendor selection process, and throughout the life cycle of a client-vendor relationship. (For more details on VRM's ROI, request our Business Case for VRM, at www.connect4growth.com)

Focus on Vendor Selection Risk

The topic of **Vendor Selection Risk** should be of *primary-focus* for any company that uses external vendors to provide services. Just as relationships with customers are important, and CRM systems and processes are put into place to optimize them, there is a strong case for using processes and automated systems to optimize vendor relationships. We call this Vendor Relationship Management, or VRM. Your key vendors will have a profound impact on the success and growth of your organization. Therefore, ensuring that you select them wisely is the very first step in establishing optimal relationships with them. Let's look at this topic more closely...

1. Why is "wise" vendor selection important?
2. Why is there "risk"?
3. Who are the people in our corporation who are at-risk?
4. What are the **FIVE Risks**?
5. What is available on the market that can help us reduce risk?

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1. Why is “wise” vendor selection important?

With the corporate “spend” on vendors growing rapidly, companies are increasingly engaging vendors that offer strategic services such as *training, consulting, assessments, and coaching* to help them solve their critical business and growth challenges. “Vendors” come in all shapes, sizes and types, ranging from large international generalist consulting and training firms, with thousands of consultants, trainers, and support staff, to niche-players like a specialist who, on his own provides specialized services to a specialized client base, to solve specialized problems. What they have in common is, they do not deliver a tangible product to their customers. They provide ‘a service’ – an *intangible*, that cannot be measured or managed in the same way as something tangible. And, because they provide ‘knowledge-based’ solutions, these vendors present unique challenges for a client, to assess their qualifications for a project.

It seems that, from our experience with some of the world’s largest corporations, the ‘nature’ of their challenges is becoming more and more specialized. That is partly due to the increasing “speed of business”, and because business has become extremely complex because of “drivers” such as globalization and a focus on providing shareholder value. For many companies, they must have a very highly-skilled and knowledgeable “specialist” who knows their specific business and challenges. Often, only an “expert” will fully understand the company’s people, and problems, and be able to get at the root cause with a solution that will quickly “fix” the problem. A ‘generalist’ MAY be able to provide that solution as well – eventually -- but is unlikely to have the necessary depth and breadth of knowledge.

The vendor marketplace is highly fragmented and very dynamic. There are literally thousands of categories of firms providing services to corporate clients. Each has its own merits, but how will you know which will have the *right* solution? The right tools and processes, at your fingertips, will help a company choose the right vendor from the maze of choices available.

2. Why is there “risk”?

The considerable level of risk in vendor selection comes mainly because, no matter how diligent they are, a client/buyer will never know *everything* about a vendor and how the vendor will perform within the client’s environment. Service vendors are not commodities, and therefore, are much more complex than those offering tangibles. A thorough

evaluation of a vendor, or, usually, several vendors, takes a great deal to time and resources to properly complete. The client/buyer will, at best, be relying on imperfect knowledge to evaluate the vendor(s). Service vendors cannot be ‘examined’, and quality-checked like a shipment of “fasteners”, or a computer. What service vendors offer during the process of solving a client’s challenges is their people, systems, backgrounds, talent & expertise and motivation.

So, why should a client care so much if a vendor is ‘right’ for them? What is the risk? Isn’t there an easy solution -- just find *someone else* if things don’t work out? It may be true that ‘mistakes’ might be corrected, but at what cost? What kind of irreparable damage *may* have already been done? Only part or the risk involves money and wasted material-resources. The rest concerns reputation, and other long-term impacts, particularly in strategic projects.

3. Who are the people in a client’s corporation who are “at-risk”?

The people in the client’s organization who are at-risk are, virtually, **all** of the stakeholders who may be impacted or touched by the actions of the vendor. These include those at the boardroom table -- executives, directors, and senior managers. Below them, managers, supervisors, staff, right down to frontline employees, are impacted. Even customers and shareholders may feel the brunt of a poor vendor selection decision.

The reason that virtually everyone involved, directly and indirectly, with the corporation is affected is this. If a vendor’s solution is not *aligned* with a business need, it will not have the desired impact on the factors that can, for example, drive increased sales margins. Connect4Growth helps their clients find the proper alignment between their business needs, and vendors.

As well as the client, their organization, and their people, vendors themselves are also risking a great deal. They too are at-risk when they bid for and eventually accept a particular project (Those ‘vendor’ risks will be discussed in another document.)

4. What are the FIVE risks?

(1) **Organizational** - If a vendor is not a good match for the organization, or is unable to adequately align their solutions with customer’s culture and project objectives, an opportunity for growth may be lost.

- (2) **Brand Building** - The organization's reputation in the marketplace is always at risk. Brand image, their value to customer as well as value to current and prospective employees can be damaged by vendor selection errors.
- (3) **Resource Usage** – They say, “the windows of opportunity for growth are never open for long!” Delays, and excessive effort on sourcing and on selection decisions can devour a lot of valuable resources. As well, how difficult is it to replace lost time and resources if a vendor has fallen short of the customer's expectations?
- (4) **Short & Long term Growth** – How well the vendor performs affects what can be accomplished for the customer through the project they are assigned to. A vendor's inconsistency or inability to deliver at any time in the relationship lifecycle may cause disruption or even irreparable damage to the client's growth prospects in both the short and long term.
- (5) **Personal & Professional** - A vendor, working independently or along with the organization's employees, can have a profound impact on the outcomes of the project. Apart from the financial implications, only the executive him or herself truly knows what is “riding” -- personally and professionally – on the success of any given initiative or project.

5. What is available in the marketplace that can help us reduce risk?

Your organization may have, for a long time, been using external vendors widely and was already aware of these risk-factors, but has just not put much focus on them. Or, perhaps your organization, for whatever reason, is in a position where you will be considering the services of external vendors for your next training, consulting, assessments, and coaching projects. Either way, the success of your projects – and of your prospects for growth – can be greatly improved with the services and products offered by Connect4Growth. Our vast range of 'solutions' are designed to fit your organization's needs and situation. In fact, we have found no two clients or their needs are exactly the same. If your organization uses, or plans to use external vendors to provide services in (or related to) training, consulting, assessments, or coaching, we can help you reduce your risk and make the right selection decisions.

Whether you use our time-tested **Precision Vendor Matching (PVM)** service, or our flagship software, **Vendor Relationship Manager (VRM)** system, or both, you can be assured that you will accelerate your selection decisions, and have greater confidence that you have made the right decision.

So, what's the ROI on the Vendor Relationship Manager (VRM) system?

Connect4Growth has calculated the **economic benefits** to an organization of using VRM, and have found they are **significant**. VRM helps organizations save time and money by – significantly reducing time spent dealing with vendor calls; cutting in-half the amount of time and resources taken up in meetings pertaining to vendor selection decisions; and optimizing vendor relationships by encouraging vendors to 'stretch'. In fact, we propose that, on your investment in VRM, you should get a **500% ROI, with a 4-6 month payback**.

Want more details? Request the “BUSINESS CASE for THE VENDOR RELATIONSHIP MANAGER system” at www.connect4growth.com

The following table presents a direct *RISK-Benefit comparison*. For each of the 5 RISKS, you will see how Connect4Growth, through our product and service offerings, can bring many measurable benefits to our clients.

Vendor Selection Risks	Benefits of Using Connect4Growth
Organizational - If a vendor is not a good match for the organization, or is unable to adequately align with the customer's culture and project objectives, an opportunity for growth may be lost.	With Connect4Growth's systems and processes, our clients have a much better chance of finding the vendor that offers the best fit with the client's needs. Through us, and our <i>vendor network of over 2500 vendors</i> , our clients have a very broad view of the marketplace and can find vendors that represent the best <i>organizational</i> match.
Brand Building - The organization's reputation in the marketplace is always at risk. Brand image, their value to customer as well as value to current and prospective employees can be damaged by vendor selection errors.	Vendors that do not appreciate or understand how a client is viewed by all of their stakeholders will not be able to offer the kind of solution that will help them build their brand. Connect4Growth's <i>vendor pre-screening processes</i> weed-out those vendors that will not contribute to building the client's brand. As well, on an on-going basis, clients, if they are using the Vendor Relationship Manager, will have a way to monitor, what, and how well, the vendor is doing to deliver results.
Resource Usage – They say, “the windows of opportunity for growth are never open for long!” Delays, and excessive effort on sourcing and on selection decisions can devour a lot of valuable resources. As well, how difficult is it to replace lost time and resources if a vendor has fallen short of the customer's expectations?	Good timing is critical for business success. Connect4Growth works according to our client's deadlines and helps them select and engage the vendor at the optimal time. We can shave days, if not weeks, off of the client's search, evaluation and selection process. Whether, at the front-end of the process, on ongoing, our online system can make communication simpler and faster. <i>No need for decision-makers to meet as often</i> . As well, <i>meeting productivity</i> can be improved by having the right information readily available online (with VRM). Also, since we help our clients reduce the risk of making a selection error, it is unlikely they will have to repeat a search to find a replacement.
Short & Long term Growth – How well the vendor performs affects what can be accomplished for the customer through the project they are assigned to. A vendor's inconsistency or inability to deliver at any time in the relationship lifecycle may cause disruption or even irreparable damage to the client's growth prospects in both the short and long term.	Connect4Growth reference-checks and pre-qualifies the vendors we present to a client. We evaluate how well the vendor's track-record of success with other companies they've done work, for matches with the client's vendor selection criteria. Although we can never <i>guarantee</i> that a client-vendor relationship will blossom over time, our matching processes improve its chances greatly. With a 'knowledge management' tool like VRM, Clients can do ongoing monitoring and administration, throughout the lifecycle of the relationship rather than just at the beginnings and the ends of projects.
Personal & Professional - A vendor, working independently or along with the organization's employees, can have a profound impact on the outcomes of the project. Apart from the financial implications, only the executive him or herself truly knows what is “riding” – personally and professionally – on the success of any given initiative or project.	We know that the organization's key decision-makers, personally, risk a great deal when approving a major purchase of services from a vendor. Our people work personally with them to make sure that the client's selection criteria is sound, and that the vendors they consider are a close match to them.

In Conclusion...

If the *Five Risks of Vendor Selection* document has ‘stirred-you-to-act’, or has provided you with ‘food-for-thought’, we at Connect4Growth have accomplished an important objective of ours. If the questions we’ve posed to you in the *Self-Assessment* (below) have helped put your focus on your own organization’s vendor selection risk -- and perhaps have raised even *more* questions in your mind -- *even better!*

Foremost, of course, we hope we have provided you with compelling reasons to contact us to learn more about how Connect4Growth’s services and our online application, the Vendor Relationship Manager (VRM), can enhance your organization’s efforts to get optimal results from the service vendors you use. Already, several major corporations are getting great ROI with VRM, and are saving time and money. We are confident that we can demonstrate to people in your organization that, Connect4Growth can help them implement your growth strategies.

Connect4Growth - Vendor Risk Self-Assessment
- A focus on Vendor Relationship Management

- 1) What are the ‘challenges’ and barriers to ‘growth’ that your organization believes can be solved through initiatives that would include one or more of the following services...

Training?
Consulting?
Assessments?
Coaching?

- 2) With your organization’s current resources available, how successful do you feel you will be in solving these challenges?
- 3) What role(s) do you expect *external service vendors* will play in helping you find the *right* solution(s) to your challenges?
- 4) How confident are you that you have the necessary, accessible knowledge available in your organization to make the right vendor selection decisions?
- 5) What percentage of your external vendor-spend do you expect will be on:
- 6) existing vendors (from your current vendor-base) _____
- 7) prospective vendors (those your company has never worked with before)_____
- 8) Does your organization have a centralized purchasing/shared services function that is at least partially responsible for vendor sourcing and selection?
- 9) Do individual departments or business units in your organization purchase services independently?
- 10) How “well-equipped”, with the right knowledge, do you feel ALL of the decision-makers are in your organization?
- 11) Could they benefit from improved technology that would give them fast and easy on-line access to a database of vendor information?
- 12) Once vendors (services) become engaged in your organization, how effective is your performance tracking system throughout the lifecycle of the relationship?