Working on Projects with Suppliers and Vendors: Seven Factors to Consider
by Gareth Byatt, Gary Hamilton, and Jeff Hodgkinson

At some point in their lives, many projects need the expertise of external third parties to ensure that certain activities are carried out. Much research and advice is available in the practice of supplier and vendor management, ranging from procurement techniques to establishing Key Performance Indicators and Metrics management. In this article, we point out a few key elements that the three of us usually find important when working on a project with suppliers and vendors. As a project manager, it is important that you embody the philosophy you want your team to adopt with suppliers and vendors – it sets the tone for success.

What is a supplier or vendor?
This is a broad question. For the purposes of this short article, we are covering third parties (suppliers, vendors, contractors, subcontractors, consultants) who provide a product and or contracted to perform agreed works on a project.

Seven factors to consider for working successfully with suppliers and vendors on a project
Various levels of sophistication for project supplier and vendor management exist. The type of practice you will expect to use will depend to a large extent on the size and complexity of your project and your organisation. Within large organisations, it may be necessary to go through a supplier/procurement management team and adhere to strict processes to contract for the services or goods required for a project. In smaller organisations, the process may be handled by one person or a small team.

Different procurement processes may need to be followed, depending on the size of the project. Small projects, for example, may not have the dedicated personnel in place to deal with the suppliers and vendors that large complex projects will invariably involve. Always follow the processes and procedures your organisation requires. Below, we put forward a few thoughts on project supplier and vendor management for project managers to consider, regardless of organization, project size or type:

1. Can you leverage an already existing vendor management framework?
Today, a growing number of organisations have supplier/vendor management frameworks in place to help project teams leverage relationships with such entities. The framework available may be owned by a PMO or Procurement Group, and it can range from providing lists of "preferred or prequalified parties" and information about specific organisations for specific types of work, to offering project teams a comprehensive guide on how best to develop a successful relationship with suppliers and vendors on your project. In some organizations, the Procurement group will also be a project resource, responsible for performing the procurement tasks for the project.

Your organisation may have experts in this field of expertise for you to "tap into". As a first "port of call", find out what expertise is available in your organisation for project supplier/vendor management – and not only in the domain in which you work, but also within other areas of your organisation that use suppliers and vendors. Also consider whether you can take advantage of techniques and practices offered by professional associations such as the PMI, the IPMA or other project management organisations.

2. Do you have a project strategy for working with each supplier and vendor?
This is perhaps the most important question to ask. What do we mean by a project strategy for suppliers and vendors? The following points are just some of the considerations you may want to keep in mind (note that we are not going into the details of Procurement Group activities here, which may include assessing the financial health of the third party, workload split etc.):

• When do you need them to come on board, and how will you select them (e.g., through a tendering process)?
• Do you have a standard "on boarding process" for suppliers and vendors for the project?
• Do you have a standard review and selection criteria (e.g., some industries use terminology such as Requests for Proposal), Risk review and other procedures in place to objectively review each returned proposal? This is important if you are using a tendering process.
• How critical is their work to the success of the project? Are all or some of their activities on your critical path?
• Does your organisation regularly work with the supplier/vendor you intend to use, or is this the first time? If they have worked with your company before, what can you learn from others in your organisation who have had contact with them?
• What kind of contractual relationship will exist (including any incentives)?
• How will you engender openness and trust in the working relationship or partnership?
• Will you be assessing their performance as to completing an activity, and will it be compared to other suppliers (e.g., for defects measurement, productivity or other measures)?
• How will you ensure that the relationship is based on a clear understanding of what success means?
• What risks exist that, if they occur and become issues, may result in an acrimonious situation, and how can you spot the warning signs or "triggers" early enough to prevent their occurrence?
• What will you do if things go wrong? Do you have a back-up/mitigation plan?
• Are performance standards (e.g., Service Level Agreements are common in IT) expected from the supplier if it is for an ongoing service? Agree to them early, including penalties for missed targets, and ensure that they are mutually accepted and contractually binding.

3. Be very clear about your shared expectations.
In a previous article (one of the earliest that we wrote together), we described how Project Success Plans (PSPs) can serve as a way to foster the "gelling" of the project team which is vital to achieve a successful project. Third parties are often key components of a project team; the principles of a "PSP" are equally valid when dealing with external team members as they are with your own staff. With this in mind, as the project manager of a project it is worth your while taking steps to ensure that all external parties gain an understanding about how you like to operate, and ensure you understand their modus operandi (depending on the size of the project, you may be personally involved in this or it may be delegated to a project team member).

It is important to be very clear about the meaning of success for both parties from the start, and to discuss how you might handle "critical conversations" should the need arise. By shared expectations, it is important to understand key project-specific criteria for success. For example, consider organisations that carry out projects involving high-risk activities such as construction and mining. The attitude to Health and Safety of external suppliers and vendors is absolutely critical to a successful outcome.

When you commence working with an external supplier or vendor, it is important that both sides establish clear rules of engagement and respect. Project management techniques, such as agreeing to Statements of Work and regular tracking mechanisms, can help this process.

Relationships matter – meaning that you should engender a professional and ethical way of working together.

4. Do you have an "A team" from the supplier/vendor on your project – do you need one?
Projects are carried out by people, and people are what make projects. We all want the best possible individuals to be available for our project team, whether they are our own staff or from external parties. But what does "best possible" mean? The onus on you and your project team to make your needs clear to the supplier/vendor, so that they can gauge the person or people best suited to work with you – depending on who they have available. They may subcontract the work to other parties, which may or may not be within your control. And they may be involved in supplying goods to your project remotely, without ever working "on site" themselves.

One approach to the selection of people put forward by a supplier or vendor is to request to "see them in action". Depending on the circumstances, you may be able to visit the premises of the organisation to meet their proposed candidates and/or discuss the project with them yourself to assess their suitability for the work they are required to undertake.

5. How much detail do you need from the supplier/vendor for planning purposes?
Suppliers and vendors may "come on board" to a project at various stages. Sometimes, they may be involved very early before approval is granted, perhaps taking on the work "at their own risk" to help you win the project. At other times, they may come on board much later, once plans have already been established and perhaps budgets and schedules set.

If you know you will need or benefit from external expertise in the planning phase, build it into your project plan.

6. Do you have a shared view of project risks?
What do you perceive the attitude toward risk of the supplier/vendor you are working with to be, and how does it align with your own?

Have you discussed the key risks of the project with your suppliers and vendors – i.e., those that are appropriate to be discussed with them? They will certainly have an opinion. It is likely that they are keeping their own risk registers and they will be able to offer insights into risks and opportunities.

7. Are expectations clear on how progress must be stated?
You will need to receive progress updates (through established channels, such as progress meetings and reports) from your suppliers and vendors at an agreed upon frequency – for example, of a cost, schedule and quality nature. Such needs should be scaled to suit. For example, on large projects, schedules from third parties are consolidated and, in turn, fed into a more encompassing project progress schedule.

It is a good idea to discuss your review and reporting requirements early to ensure there is clear agreement on the style, content and frequency.

Finally, we would like to point out something we have all seen which we call the "90% – 110% = 20% unwritten law of contracting". What do we mean by this? Although you can never cover every option or potential issue in a contract, given a firm contractual scope, the vendor or supplier typically seeks to deliver 90% of it for real cost and to keep a ~10% buffer for contingency and profit (as a general rule, these numbers will differ depending on project specifics). The client, on the other hand, tries to get additional work or "110% of the contract" in order to be satisfied that they have a good deal.

This behaviour often occurs discreetly through numerous small requests by the client that are too minor for the contractor to request a change order for and that they consider, on balance, to be worth undertaking "free of charge" to make the client happy. The supplier/vendor will quite rightly seek all cost effective ways to meet the intent of the contract (a perfectly reasonable approach as long as design intent and quality are maintained). As a result of these two factors, there tends to be a "20% zone of difference" that can affect the overall outcome.

Following our seven steps can help you minimise ambiguity in the initial understanding of the Terms & Conditions (often colloquially called T's and C's) of a contract and set the tone during the service life of the work. Think of this as the project manager when holding your "Success Plan" discussions with a supplier/vendor.

Conclusion

We have only scratched the surface of what is required to successfully work with suppliers and vendors on a project. Having suppliers and vendors on a project team can be a very rewarding experience, and is very often a necessary factor of success. As a project manager, the way you engender the philosophy of your team to work with suppliers and vendors sets the stage for the success of all parties involved.

We hope this short article has spurred you to reflect on your strategy for dealing with suppliers and vendors on your projects. There are many different aspects to consider. We would really like to hear from you if you have any feedback, a story to tell us or a specific topic you would like us to use in a future article. If so, please email us at Contactus@pmoracles.com.

Article Author Bios as of January 2012	
About The Article Authors, Their Roles Their Plans, And Their Goals	Gareth Byatt, Gary Hamilton, and Jeff Hodgkinson are experienced PMO, program, and project managers who developed a mutual friendship by realising we shared a common passion to help others and share knowledge about PMO, portfolio, program and project management (collectively termed PM below). In February 2010 we decided to collaborate on a three (3) year goal to write 50 PM subject articles for publication in any/all PM subject websites, newsletters, and professional magazines / journals. So far 45 of the 50 articles have been written. 37 have been released and published with the remaining 13 articles to be incrementally released in 2012 completing the 50 articles ahead of the three year goal. Readership of the articles is continuously increasing and we are fortunate to have assistance from people around the world who have taken the time to translate our articles into Arabic, Czechoslovakian, French, German, Indonesia, Italian, Korean, Spanish, Portuguese, and Russian for their readers. Our articles are published on websites in 30 countries including Australia, Brazil, Canada, Chile, Costa Rica, Czech Republic, Finland, France, Germany, Hong Kong, Italy, India, Jamaica, Jordan, Netherlands, New Zealand, Nigeria, Pakistan, Panama, Poland, Portugal, Russia, Singapore, South Korea, Sri Lanka, Trinidad, Turkey, UK, Ukraine and the USA.
	Our mission with these articles is to help expand good PMO, program and project management practices by promoting the PM profession, to be a positive influence to the PM Community, be known as eminent influencers of good PM practices, and in earnest hope readers can gain benefit from the advice of their 63+ years of combined experience plus the expertise of co-authors who kindly write with us on particular subjects. As of December, 2011, we have been published over 500 times! Along with writing articles, each also champions a role in the overall writing program collaboration process:
	→ Gareth manages all requests for additional guest author collaborations
	→ Gary manages the article development tracking and readership metrics
	→ Jeff manages the article distribution and new readership demographics
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Gareth Byatt has 15+ years of experience in project, program and PMO management in IT and construction for Lend Lease. Gareth has worked in several countries and lives in Sydney, Australia. He can be contacted through LinkedIn. Gareth holds numerous degrees, certifications, and credentials in program and project management as follows: an MBA from one of the world's leading education establishments, a 1st-class undergraduate management degree, and the PMP®, PgMP®, PMI-RMP®, PMI-SP® & PRINCE2 professional certifications. Gareth is a past Director of the PMI Sydney Chapter, he is currently the APAC Region Director for the PMI's PMO Community of Practice and he chairs several peer networking groups.

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Gary was the first person globally to obtain the five credentials PgMP®, PMP®, PMI-RMP®, PMI-SP®, and CAPM®. In addition to these, Gary holds numerous other degrees and certifications in IT, management, and project management and they include: an advanced MBA degree in finance, Project+, PRINCE2, MSP, ITIL-F, MCTS (SharePoint), MCITP (Project), CSM (Certified Scrum Master), and Six Sigma GB professional certifications. Email Gary: Gary@PMOracles.com or contact him through LinkedIn.

Jeff Hodgkinson is a 32+ year veteran of Intel Corporation, where he continues on a progressive career as a program/project manager. Jeff is an IT@Intel Expert and blogs on Intel's Community for IT Professionals for Program/Project Management subjects and interests. He is also the Intel IT PMO PMI Credential Mentor supporting colleagues in pursuit of a new credential. Jeff received the 2010 PMI (Project Management Institute) Distinguished Contribution Award for his support of the Project Management profession from the Project Management Institute. Jeff was the 2nd place finalist for the 2011 Kerzner Award and was also the 2nd place finalist for the 2009 Kerzner International Project Manager of the Year Award ™.

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