

11. Selecting the “Right” Vendor

Selecting the appropriate vendor for specific tasks within a project or for the entire project is often a critical element in the overall project’s success.

It is difficult to make expeditious cost-effective vendor selection decisions. The evaluation of vendor offerings too often becomes a subjective, gut-feeling choice that leaves significant doubt in the organization making the selection and an unsatisfactory taste in the competing vendors that were not awarded the contract. The purpose of this section is to provide a method for organizations selecting vendors where a competitive situation exists. The method provided in this section should simplify the decision process; assure a higher degree of confidence as to selecting the “best” vendor for your organization and also leave an audit trail justifying the selection.

In the ABCs of Requirements Based Project Management the number of steps in the vendor selection process is dependent upon the size of the project, its overall importance to the organization/project and the complexity of the effort. The steps are shown in Table 9:

Table 9 – Vendor Selection Process

<i>Step</i>	<i>Action</i>	<i>Description</i>	<i>Applicable ABCs Template</i>
1	Specify the requirements.	If the vendor is performing a part of the project, then this should be a separate sub-project with clearly definable requirements for each vendor deliverable.	<u>Requirement's Specification</u>
2	Identify potential vendors.	This should be a list of organizations that can potentially satisfy the requirements. The original list should include at least three potential vendors and preferably from six to ten.	None
3	Define selection criteria.	This is a critical element where you attempt to change a subjective choice into an objective decision as much as possible.	<u>Vendor Selection Criteria Matrix</u>
4	Discuss with potential vendors the requirements.	Discuss the requirements and selection criteria with each potential vendor to determine which vendors are really viable.	<u>Vendor Evaluation</u>
5	Create a document specifying what the vendor should provide in their response to a proposal or quotation request.	This document should parallel your selection criteria matrix to simplify your evaluation. It is a good idea to require that each vendor follow an identical format. This helps assure that you can readily find their response to each criterion.	<u>Vendor Questionnaire</u>
6	Create a document specifying what you want from the vendor.	This document should either request a proposal or a quotation.	<u>Request for Proposal</u> <u>Request for Quotation</u>
7	Reduce the potential vendor list to a “reasonable number.”	You do not want to have to read a significant number of proposals. This is a pre-evaluation where you want to reduce the potential vendor list to only meaningful potential vendors.	None
8	Hold general vendor meeting.	All potential vendors should be able to attend this meeting. The vendors should submit their questions prior to the meeting. Questions submitted after the meeting may or may not be answered (this should be part of your instructions). You may need to update the documentation to reflect the results of the meeting. Remind the vendors that there will be no more questions or communication about this solicitation after the meeting until a contract is awarded.	<u>Agenda</u> <u>Minutes</u>

Step	Action	Description	Applicable ABCs Template
9	Send solicitation to potential vendors.	Make sure you give all potential vendors a reasonable period of time to respond. Do not accept late responses.	None
10	Review responses using selection criteria.	Evaluate each response using the selection document created in Step 3. Document the results of the evaluation.	<u>Vendor Selection Criteria Matrix</u>
11	Negotiate contract with winning vendor.	Sometimes it is a good idea to make a list of what was deficient in the winning proposal and make sure that the winner is willing to provide the missing items at no or a reasonable cost adjustment.	None

The key to selecting the “right” vendor is creating a meaningful Vendor Selection Criteria Matrix as described in Step 3. The ABCs’ Vendor Selection Criteria Matrix template should be customized for your specific project and organization. The template provided is for a generic project. The steps in creating a successful Vendor Selection Criteria Matrix are:

- 1) Select the individuals that will form the selection committee.
- 2) Meet with the selection committee members and determine the criteria that will be used for the vendor evaluation. When creating a criteria list you should limit the number of criteria to less than twenty-one and more than five.
- 3) Assign a weight (as to the importance) to each criterion.
- 4) Score each vendor for each criterion using the following scoring system:
 - 0 = Non-responsive to requirements.
 - 1 = Satisfies requirements with major discrepancies.
 - 2 = Satisfies requirements with minor discrepancies.
 - 3 = Satisfies requirements.
 - 4 = More than satisfies requirements.
 - 5 = More than satisfies requirements with significant added value.
- 5) Compute the value for each vendor per criterion by multiplying the score and weight for that criterion.
- 6) Sum the resulting values for each vendor.
- 7) Compute the long-term cost (including maintenance or adjusted maintenance cost per your practices).
- 8) Divide each vendor’s score by its cost.
- 9) The highest resulting value is the winning vendor.

By dividing the total values by the computed long-term cost, you are in effect making cost 50% of the selection process. You can change cost to be less or more than a 50% determination factor. Instead of dividing by cost you could give cost a “weight” equal to your desired percentage relative to the sum of the remaining criteria weight and then score each vendors cost. In this method cost would just be another criterion. Steps 1-4 should be completed prior to meeting any vendor. Steps 5-9 should only be done after you have decided how you will determine the selected vendor (steps 1-4).