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Five Warning Signs for Vendor Partnerships

With vendor relationships increasingly important in this cost-conscious era, banks need to watch for the warning signs of an unhealthy partnership.

BY STEPHEN J. LAMAR AND COLIN CAMPBELL

Surely your most critical strategic initiatives are entirely under your control, right? Think again. You will find that some of the most important ones are entrusted to others – to vendors. Whether it's creating new revenue streams, reducing costs or improving customer experience, in many cases you are trusting that a vendor you hired will deliver the product or service you need to be successful. When so much success depends on your vendors, it is important to ask, "How healthy are my vendor partnerships?"

When the financial crisis hit, many banks performed a top-to-bottom reevaluation of vendor contracts and consultant projects. If your bank was like most, any projects that promised significant savings were moved to the front of the line, others were culled and previously assigned IT staff were laid off. This exercise sent a consistent, clear message throughout the vendor community: banks are focusing hard on return on investment (ROI) and are looking for partners that can easily demonstrate value.

For banks, the meaning is equally clear: Now is the perfect time to evaluate the relationship you have with your key vendors and determine if you are really part of a healthy, trustworthy partnership. The magnitude of what is at stake for both of you (possibly their survival as a company, possibly your job and career) means that all your future interactions must rest on a foundation of mutual trust.

To assist in this reevaluation, here are five clear warning signs that your vendor relationships might not be the healthy partnerships you need:

The Blue Light Special: The last week of the quarter finds the sales rep camped outside your office with an offer of freebies and discounts if you sign before month end.

It's almost always a good price – and it's hopefully relevant to your bank's objectives – but the special expires quickly and requires leveraging some political capital and performing procurement process magic to execute. As a steward of the bank's money, you have to do due diligence on the offer, which means staying late, making staff do the same and then barging in on executives to get signatures. No matter how financially advantageous the deal is, it leaves a bad taste when you have to operate unprofessionally to get it. A partner should *always* be getting the best deal, not just at quarter-end. It's that simple.

Sorry, But It Won't Work: You can't remember the last time your vendor told you frankly that you were wrong and why.

Just because you're paying the bill doesn't mean you have to, or want to, win all the arguments. If the purchase involved was not difficult or complicated, you would have handed the decision to someone more junior. So, if it's worth your attention, the answer isn't easy and your vendor might have more experience to balance against your greater understanding of your bank's situation.

In truth, some of our most productive sessions with vendors begin with, "This is what I want to do – now tell me where I'm wrong." You can probably think back on one or two arguments with a vendor that you're glad you lost. There's value in making it safe for your vendor to say, "I disagree" – in trusting them to not simply focus on their own sales goals but also to help the client and share success. In that environment, your vendor is more inclined to share perspective and honest insights.

Buyer's Remorse: You have a near permanent case of buyer's remorse that finds you regularly going back to your vendor for another discount or give-back.

This age of cost-cutting makes it tempting to drive the hardest bargain, but here's one way to think about it: Suppose your vendor were also a borrower at your bank. Would the deal you're trying to drive with them please the credit committee? If you can get your vendor to work at a loss, it might be a bargain but it's not a partnership.

Remember that your success is mutually interdependent. If your vendor is acting prosperous – expanding their business, investing in new solutions and paying their people well – that doesn't mean you spent too much. It might just mean you chose a good vendor, that you're doing business with a good company.

Jack of All Trades: You can't remember the last time your vendor said, "We don't do that, but let me introduce you to somebody who does."

Omniscience isn't credible. Vendors have their specialties, and there are experts to be found in just about any area. Your real partners will take pride in the fact you that you asked them first and will orchestrate useful introductions for you. They won't take false pride in claiming they can help you while cobbling something together that ends up wasting your time and your confidence in them.

Good partners know the value in being the go-to person for their banker clients. They don't squander that good will, and they find the answer even when it is not to be found in their own company.

What's In It for ... You? Your vendor never comes to you with ideas that don't include his or her products; and you never call your vendor with suggestions for their business that don't involve fixing your problems.

A good partner values your business enough to proactively invest time, thinking and planning for the good of the other party. When was the last time you brought your vendor a prospect you thought could use their work – not just tossing over a name but actually orchestrating a warm hand-off? In the same way, you should expect your vendor-partner to proactively come up with ideas and introductions for your bank and your career that have nothing to do with their solutions.

In tough or tight times, what vendors do – or don't do – is increasingly more influential to your bank's success. Take time to evaluate the health of these partnerships and take a proactive role in making them productive. And then don't be surprised when the value flows both ways.

Mr. Lamar is senior vice president - eBusiness Product & Channel Management for Birmingham, Ala.-based Regions Financial Corp. and can be reached at stephen.lamar@regions.com. Mr. Campbell is managing Partner at Morristown, N.J.-based Collabera, Inc. and can be reached at colin.campbell@collabera.com.