



The Preferred Vendor Process Who Really Benefits?



Just about everyone has a colleague or friend who doggedly and unsuccessfully juggles two or three electronic gizmos designed to simplify our lives, but misses the obvious irony. As an executive search firm whose focus is on providing high quality leadership and talent management consulting, we feel the Preferred Vendor process suffers from the same faulty logic when applied to executive search.

The purpose of the Preferred Vendor process is to provide consistency and economies of scale, while eliminating duplication across repetitive and standardized tasks.

The concept was originated from and driven by processes – JIT, ISO, etc. which all deal

with large-scale operations and functions. Unfortunately, none of these benefits can be applied to a unique, complex or high-level function such as a talent search for a senior executive leader, i.e. CEO, Vice President or Board Director.

In addition, the Preferred Vendor process has a number of other drawbacks for an organization seeking the right individual with the skills and cultural fit to lead its team:

- It usually limits the suppliers to a local area, which can create off-limits issues for recruiting;
- It promotes a “bulk processing” mentality with no concern for the level of service, once the supplier has been added to the preferred list;
- Relationship management becomes a low priority, since the business has been secured;
- Cost savings are often not achieved because there is no need to “sweeten the deal” if the business is already secured;
- You’re locked in too – the lack of choice can work against you!

At the least, hiring executives would be well advised to review their Preferred Vendor

list on a regular basis. To properly conduct market research, a search firm must be able to recruit with impunity, a lesson learned recently by the CIO of a large investment organization when his Preferred Vendor

reluctantly admitted that they were precluded from recruiting candidates from six of their largest competitors!

The real problem with the Preferred Vendor process is that it puts process over thought. We have heard of situations - from silly to outrageous - where clients were locked into agreements with search firms that had little or no experience in the particular industry,

function, or geographic area required; or had their hands tied by off-limits agreements when an “ideal” candidate was available with another search firm.

Leading organizations in the US have begun to reconsider their Preferred Vendor process with regard to executive search, but the topic has not yet become a high priority in Canada. When it does, we believe it will benefit Canada, as organizations will no longer be locked into using US-based search firms with little interest in their smaller Canadian operations.

We highly recommend that business leaders use Preferred Vendor agreements carefully



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when dealing with executive search, as it is simply not in their best interest to lock themselves into a cookie-cutter solution to their most important resource – their senior executive leaders.

The benefits of excluding executive search from your Preferred Vendor agreements are many.

- Enables the organization to gain a fresh perspective from a firm that doesn't have any preconceptions or political biases, and encourages out-of-the-box thinking and behaviour that will enhance the search process
- Allows you to negotiate customized terms that work for your organization now
- Ensures confidentiality, if working within a small, "inbred" industry where previous relationships may be problematic
- Encourages your search firm to work harder to obtain your business, and perform a more thorough, well researched and efficient search on your behalf
- Enhances your reputation with candidates and sources to be represented by a firm that is conscious of the importance of the search

If you treat the process like a low priority, bulk process, so will your search firm. Instead, we recommend that you make a big deal of your project; strike up the band, cast your net far and wide, be choosy, and ask for comprehensive

proposals with new ideas and fresh, creative thinking before handing over your organization's potential future.

Many businesses focus on business development over service delivery, putting their best and brightest talent in front of the client to "Wow" them and secure the sale, while their younger, less knowledgeable staff perform the function of account maintenance.



So wake up your stale, secure supplier agreements by putting your vendors on alert that your

business is important, and it will be scrutinized, followed up and assessed for future consideration.

Regardless of whether you decide to try a new supplier for your search, or stick with your existing supplier, they will be put on notice that EVERY assignment is a critical one, and deserves their "first team".

The result will be a higher quality search with a wider range of talent, more thorough candidate investigation, better communication, and more efficient handling and follow up.

Any smart businessperson knows that information is the key to success, so it simply doesn't make sense to limit yourself to a single option in your search

for your organization's future leader(s).

Cambridge understands the critical contributions that a good leader can make – and the devastating costs that a poor one can wreak. Our clients, new and old, always receive our best service.

Our senior partners are hands-on, controlling every aspect of the search - from overseeing daily research, to interviewing every suitable potential candidate - ensuring that our clients' - not shareholders' - best interests are represented.

Let us show you how Cambridge can assist your organization in meeting and exceeding its mission and vision. We offer a range of senior human capital management services customized to suit the particular needs of each client.

Call one of our partners at 416-484-8408 or check out our web site at www.cambridgmgmt.com.

Cambridge Management Planning offers a full suite of services including Executive Search, Director Search, Interim Management, Executive Coaching and Career Transition services.

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Outstanding leaders go out of their way to boost the self-esteem of their personnel. When people believe in themselves, it's amazing what they can accomplish.

- Sam Walton