



P4 —

The Preferred Provider Partnering Program

An eight-step process for improving activities between of products and services by creating viable partnering



By John ("Johnny") E. Miller

your buying entity and its preferred providers relationships.

In your contract management activities, it is likely that you will eventually be asked by your employer to creatively and proactively try to further improve activities with some of your entity’s preferred providers of products and services, which are a prequalified and select group of vendors that have been approved by the buyer for quality, on-time delivery, and other factors.¹ In my 30-year contract management career, I have been asked to perform such a proactive and creative activity several times. As a result, I have developed, out of necessity, an eight-step program for what I call a “Preferred Provider Partnering Program” (P4). The following is an outline of the eight steps involved in such a P4 activity.

- 1 | Identify your entity’s preferred providers with whom your entity would like to build a stronger relationship.
- 2 | Ask one (or more) of those selected preferred providers to submit written ideas to you on how the preferred provider and your entity could further improve their existing relationship and further enhance:
 - **Communications**—e.g., doing mutual site visits, having mutual open house activities, creating mutual FAQ’s, creating mutual relationship managers, establishing vendor and customer stewards, having mutual workshops, causing mutual paperwork reduction, doing mutual long-term planning, making mutual referrals to customers, doing co-marketing, creating joint ventures, discovering mutual passions, discovering mutual synergies, creating team attitude, fostering mutual respect, developing non-adversarial attitudes, discouraging an ‘us vs. them’ mentality, being willing to mutually invest for mutual success, establishing initiative governance mechanisms, improving diversity, insuring integrity, clarifying business ethics, etc.;
 - **Innovations**—e.g., developing impactful ways to do things that couldn’t be done before, creating reward systems for impactful innovations, making advancements to increase efficiency and quality, discovering advancements to reduce risk, optimizing processes, increasing economies of scale, etc.;
 - **Appropriate technology improvements**—e.g., establishing electronic billing, sharing appropriate knowledge capital, developing a mutual extranet, creating a quick payment process, developing mutually rewarding technology solutions, etc.;



- **Preferred provider performance**—e.g., creating gain-share incentive type activities, creating budget-based incentive type activities, doing periodic preferred provider assessments, etc.;
- **Your entity's performance**—e.g., having periodic assessments of your entity done by preferred providers, hearing the preferred providers' perceptions of what other suppliers think about your entity's performance, receiving objective observations and performance recommendations from preferred providers, etc.;
- **Your entity's risk reduction**—e.g., creating methods for enterprises and projects to efficiently identify, assess, avoid, reduce, transfer, or intentionally retain risk, as well as planning, implementing, reviewing, assessing, and evaluating risk management plans, etc.;
- **Preferred provider's risk reduction**—e.g., doing risk sharing, starting mutual incubator activities, avoiding traps, etc.; and
- **Spend reduction/cost savings in acquiring the preferred provider's products and services**—e.g., improving demand management, using contract labor, improving budget due diligence, reducing project cycle time, improving project management, considering discounted secondment, using alternative billing arrangements based on performance or budget compliance, off-shoring, near-shoring, outsourcing, etc.).

Also, there is a natural tendency for buying entities to place the greatest importance on the topic "Spend reduction/cost savings in acquiring the preferred provider's products and services." This is certainly understandable. However, while spend reduction/cost savings ideas are certainly important, don't overlook the potentially very high values that could result from good ideas related to communications, innovations, technology improvements, performance enhancements, and risk reductions.

- 3 | Establish a written P4 agreement with the selected preferred provider(s) that (among other things) states:
 - None of the P4 information submitted by the preferred provider to your entity will be considered as confidential information;
 - Your entity is free to use any, all, or none of the ideas suggested by the preferred provider with any

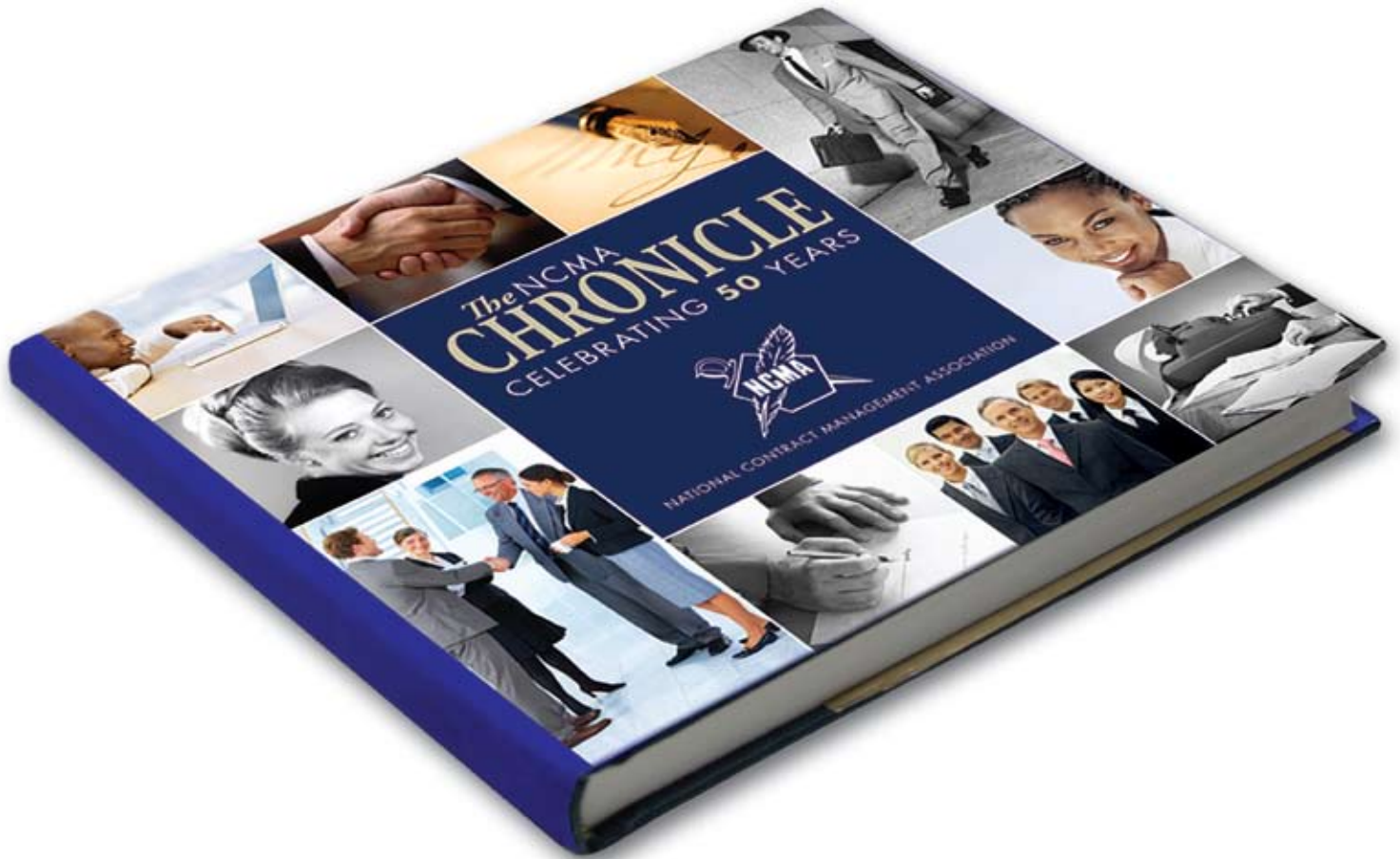
party without any restrictions or compensation whatsoever;

- Your entity's details of any resulting initiative from the P4 activity will be confidential information of your entity; and
 - Your entity and the preferred provider are not creating any employment relationship, legal partnership, joint venture, or other business entity in implementing selected initiatives.
- 4 | From the ideas submitted by such a selected preferred provider, your entity could pick and choose what specific initiatives (if any) suggested by the preferred provider that your entity would like to implement with that preferred provider.
 - 5 | Develop the implementation details of the selected initiative with the selected preferred provider.



These topics for the solicitation of ideas from preferred providers are certainly not the only topics to consider; they are just among the most important. So, encourage the preferred providers to submit other ideas that may not fit into one of your listed topics for ideas.

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- 6 | Implement the selected initiative.
- 7 | Monitor the performance of the initiative.
- 8 | Periodically perform written assessments of the success of the initiative to provide to the preferred provider.

Buying entities are increasingly relying on preferred providers to help meet their vision and goals. In today's environment, creating partnerships with these preferred providers is necessary for success. The traditional view of buyer and vendor relationships needs to be replaced with the view of preferred suppliers as business partners with a vital interest in the success of the buyer. Preferred providers functioning in such a partnership can be viewed as an effective extension of the buying entity. The key to creating such partnerships is for the parties to be proactive and to develop a 'can-do' attitude.

Buying entities need to realize that some of the most important people in their respective industries are their preferred providers. When buying entities get to know the preferred providers better, the buying entities are often amazed at what they and their preferred providers can accomplish together. Some of the best resources for solving many of the tough problems that buying entities experience can be found through their preferred providers.

Likewise, preferred providers need to develop a genuine interest in their buying entities that will result in a deep commitment to their buying entities. The preferred providers need to think of partnering as an extension of value-added thinking that focuses on making the buying entity better by providing viable solutions. Buying entities are absolutely blown away by dedicated preferred providers.

As the distinguished U.S. scientist Linus Pauling once said, "The best way to have a good idea is to have lots of ideas."² The goal of a P4 activity is to facilitate a 'win-win' relationship between your entity and your preferred provider(s) by generating a lot of ideas—some of which may actually turn out to be good ideas. Obviously, a P4 activity could also be conducted with any of your other non-preferred suppliers and service providers (where appropriate).

Certainly, the P4 activity is not the only way to improve relationships with preferred providers. However, if you routinely use all or part of this P4 activity as one of several resources when attempting to improve relationships with preferred providers, you will be pleasantly surprised with the large number of substantive and material communication enhancement, innovation, technology improvement, performance-enhancement, risk-reduction, and cost-saving/

spend-reduction ideas that will be surfaced for possible implementation.

Proactive, 'can-do,' 'win-win' partnering opportunities are endless, and the P4 activity is a great way to get the ball rolling toward a viable partnering relationship. **CM**

ABOUT THE AUTHOR

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Send comments about this article to cm@ncmahq.org.

ENDNOTES

1. See "Sample Approved/Preferred Vendor Application Form," Business Owner's Tool Kit. Accessed October 7, 2008, at www.toolkit.com/tools/bt.aspx?tid=appvend_m.
2. Pauling, Linus, as quoted in "Wisdom Quotes" Web page, compiled by Jone Johnston Lewis. Accessed December 2, 2008, at www.wisdomquotes.com/cat_ideas.html.

