

NEGOTIATION IN LARGE ORGANIZATIONS

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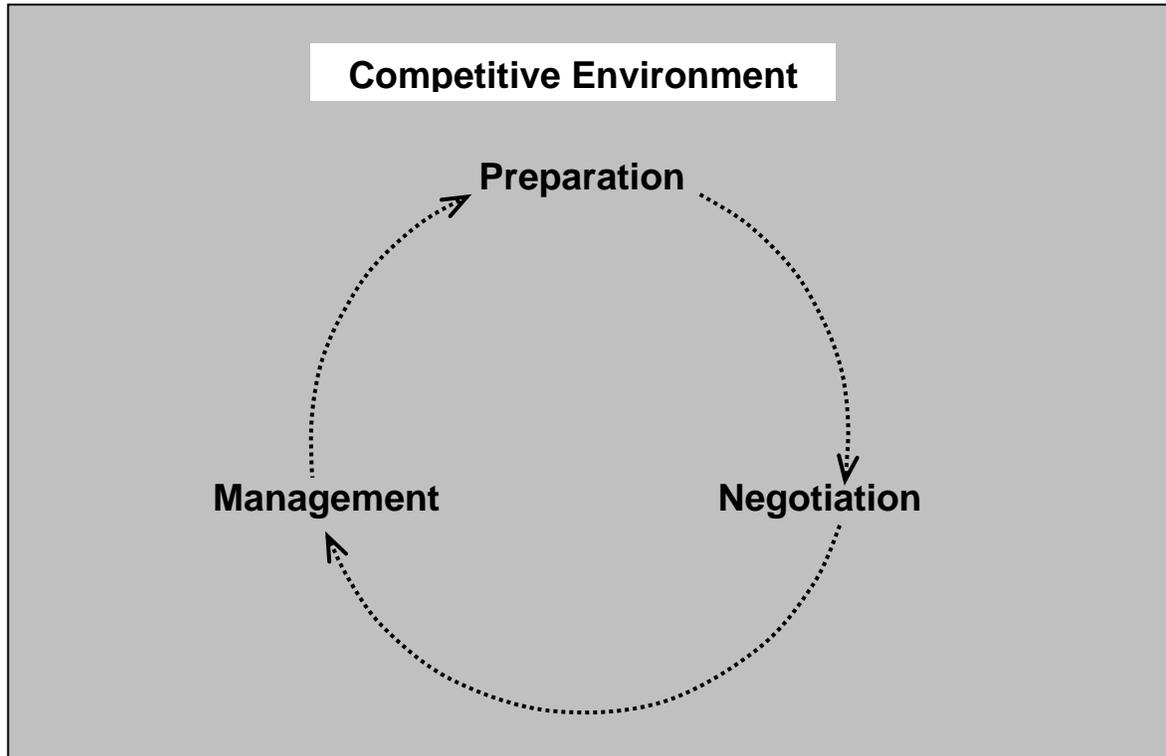
NEGOTIATION IN LARGE ORGANIZATIONS

THE PHASES

For the sake of simplicity every negotiation consists of four Phases:

1. **Preparation**
2. **Negotiation**
3. **Management**
4. **Competitive Environment**

The first three flow in sequence and the third eventually feeds the first. The fourth is actually applied throughout the negotiation. So we really need to look at it as a cycle:



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THE TASKS

Within each Phase there are Tasks that need to be performed. Not every Task is used in every negotiation but most negotiations require elements from these Tasks. A large expensive mission-critical complex project (e.g. a major business process outsourcing) should implement all of these Tasks in detail. A simpler acquisition (e.g. cartons of pencils) can follow a simplified fast-track internal process that uses the same principles but is much less labor intensive.

The Tasks are listed under each Phase:

Preparation

- Develop Skill Level
- Implement Process
- Establish Need
- Decide Requirements
- Own The Contract
- Assemble Negotiating Team
- Determine Negotiation Strategy
- Acquire Vendor Knowledge

Negotiation

- Selecting Vendors
- Obtaining Proposals
- Award Contract

Management

- Administer Contract
- Enforce Compliance
- Optimize Vendor Performance
- Control Unmanageable Vendor
- Direct Long-term Relationship

Competitive Environment

- Maintain Competition

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TASK DETAIL

Here is a brief overview description of each Task:

Preparation

Develop Skill Level

It is not uncommon to find that large organizations lack the skills required to conduct a successful negotiation. This is less common in small businesses since the negotiator is usually the proprietor who has a very keen interest in getting the best deal! Vendors understand this. They train their salespeople extensively in the art of negotiation. Salespeople use techniques that exploit lack of negotiating knowledge in different areas of an organization. They avoid knowledgeable negotiators such as Procurement departments and employ techniques with names like “Divide and Conquer”.

To counteract this you can train your employees internally, employ an outside training company or hire experts in the field of negotiation. The ideal approach is to use all three at the appropriate time.

Implement Process

The best training in the world is totally worthless if it is not applied. We have observed many people emerge from training courses, seminars, etc. highly enthused and determined to apply what they have learned... only to find that, upon return to their desk, they lapse back in to the same behaviors and routines as before. People in IT departments have long known that managing change is integral to the success of any new system or process.

The key is people. People need communication, training, conviction and a clear understanding of what their new role is. They may also need coaching and mentoring. Usually they will work in teams and have interactions with other areas. Once they have learned the new process, care must be taken to provide them with assistance in these areas. Sometimes this is a HR responsibility, sometimes a functional responsibility and most usually falls on the shoulders of the individual managers affected.

Establish Need

Do you need this product or service? Or has a persuasive salesperson excited a naïve department into acquiring something that already exists in the organization? This Task is essential to both making sure you are getting the right product or service and getting the best deal.

Decide Requirements

Determining the specifications for a product or service is easy. Anyone in the organization is likely to say so. Ask several people that are part of using, implementing or merely affected by the decision and they will be happy to give you the specs. The likelihood that they will agree, however, is small. Vendors exploit this.

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The specifications must be comprehensive, accurate and clear. But they must also be accepted by everyone that is likely to come in contact with a vendor in order to get the best deal. This requires meetings including all affected parties led by someone with very good Meeting Facilitation skills.

Own The Contract

We are amazed by the proportion of vendor generated contracts that are signed virtually unchanged by their customers. This is particularly prevalent in the high-tech sectors such as computers, software, telecoms, medical equipment, etc. A far better proposition is for you to determine what terms and conditions YOU want and present them to vendor for signature. This should be done calmly in the office at an early stage and not during the heat of the negotiation.

Assemble Negotiating Team

The best defense against vendor's attempts to exploit organizational division of opinion is to get everyone on board. This Task is critical. You must identify all the people that are likely to come in contact with vendors and affect the purchase decision. They must all become committed to support the actual person or team that will be doing the face-to-face negotiation. The use of a skilled Meeting Facilitator is very useful at this stage.

Determine Negotiation Strategy

Are the vendors really your partners as they say? Is negotiation a win-win? Is it adversarial? These questions are best determined before negotiation starts. They affect the negotiation strategy to be employed and will affect the success rate.

Acquire Vendor Knowledge

Have you noticed how the vendor often seems to know more about your organization than you do? Or at least more than it is reasonable for them to know? They have been highly trained to obtain information about you before the negotiation even starts. Best Practices buyers have learned the value of doing the same to their vendors. A thorough understanding of their strengths and weaknesses relative to their competitors, their organization, their decision making criteria and many other factors will lead to a successful negotiation.

Negotiation

Selecting Vendors

Sometimes the array of vendors available for a product or service can be overwhelming. Before immersing yourself in an unmanageable number of proposals to evaluate, it helps to select the vendors that are most likely to be able to meet your requirements. This pre-selection stage is also helpful when it is not clear what the market has to offer in the way of specifications, products, services, etc.

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Obtaining Proposals

A Request For Proposal is most often employed at this point. You also need to establish a process that is less cumbersome for smaller purchases.

Award Contract

There are a number of techniques that can be used for the selection of a short list of vendors and evaluation of the suitability of their respective proposals. Also, the organization must remain committed to support the negotiating team at this point. This can be hard to accomplish if different factions in the organization perceive that a decision will be made for an alternative they don't like. Again, the use of a skilled Meeting Facilitator is very useful at this stage.

Management

Administer Contract

Imagine you have carried out a long hard negotiation where you succeeded in obtaining a great price and significant warranties and remedies. What if the vendor bills you an incorrect (it always seems to be higher) price and underperforms? What if your Accounts Payable department pays the bills anyway and your company never gets the remedies stipulated for not meeting the warranties? Sound far-fetched? We regularly come across such instances. At one company alone they started saving \$3million a month when they started matching invoices to contracts.

The key is to set up a person or department skilled in Contract Management whose sole responsibility is to ensure that you know whether you are getting the prices and terms that you negotiated for.

Enforce Compliance

Knowing that you are (or are not!) getting what you negotiated for may not be enough. The Contract Management area may be able to rectify errors of billing, etc. by simply notifying the vendor and obtaining restitution. However, for more complex contracts or relationships, you usually need the assistance of Vendor Management personnel to enforce the terms and manage the relationship with vendors. This will vary by size and complexity of organization. Typically it will require a certain amount of participation from very senior corporate executives assisted by staff to perform the actual work of Vendor Management. This gives the vendor the message that you "mean business".

Optimize Vendor Performance

How about getting more than what you bargained for? You can use the techniques of Incentive and Relationship Management to obtain even better performance once the contract has started. These are beneficial both for you and for the vendor. However, the key here is not to pay for performance you don't need.

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Control Unmanageable Vendor

What if the vendor is simply unable or unwilling to live up to the terms of the deal? This is where a skilled Vendor Manager really helps. The skill is the usage of advanced leverage, financial, market, legal and relationship techniques at the correct time and in the appropriate way.

Direct Long-term Relationship

Skilled negotiators have long realized that the negotiation never stops. Once the contract starts, what follows forms the foundation and sets the tone for the next round of negotiation with this and other vendors in the future. Long term relationships with a supplier can have its benefits. To reap them it requires the use of the Value Chain, Constant Change, Strategic Alliance, Quality, Continuous Improvement and other disciplines. However, if these cannot be achieved with a given vendor you need to have a careful exit strategy and set up the next round of negotiation. Which brings us right back to the beginning!

Competitive Environment

Maintain Competition

By far the most important principle in negotiation is the requirement to maintain your leverage. Different methods are used at different points in the negotiation flow. However, the underlying principle is to make each vendor aware that before, during and after what they perceive as the actual negotiation, they are always at risk of losing the business to a competitor. They must constantly be **earning** your business.



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HOW MAXELERATE CAN HELP YOU

TRAINING

The balance in negotiating power lies very much in favor of the vendor. At Maxelerate we redress the balance of power in favor of the client. After all, it is the buyer's organization that spends the money and is affected by the outcome of the decision.

At the center of our philosophy is the belief that potentially anyone in an organization could be approached by a vendor. This would mean that they would be automatically involved in the negotiation – maybe unknowingly. To accomplish this we offer training and consulting to increase negotiating skills at all levels of the organization. These include:

Large Scale Negotiation Executive Briefing: A brief overview aimed at busy senior executives. It highlights the impact of negotiation on the bottom-line ROI and the need for an organization-wide negotiation process.

Fundamentals of Negotiation: This is offered as a 1, 2 or 3-day course. It is aimed at people who have no previous negotiating experience, although we find experienced negotiators also appreciate many of the fresh insights we bring. Potentially anyone in the organization can benefit from this course. Anyone who comes in contact with a vendor can potentially give away information that can become valuable against you later in the negotiation (Yes, starting with the Receptionist).

Advanced Negotiation Skills: This is a highly customized course aimed at experienced negotiators. It starts with a review of your requirements and a course design. Its aim is to elevate the negotiation skills to Best Practices level.

Vendor Performance Management: How do you make sure you get what you paid for? Or, how do you manage an unmanageable vendor? If you want to learn how to maximize the long term relationship with the vendor this is the right course.

Software and Intellectual Property Negotiation: Intellectual Property which includes Software is an area where the law strongly protects the vendor while leaving the customer exposed. Attention must be paid to a large number of specific terms to protect the customer. This course is aimed at making sure you are protected.

Software Development Negotiation: How do you make sure that costs do not run away from you and you get what you wanted? This course even includes how to deal with situations where you are not clear what the specifications and outcomes need to be.

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Leasing Negotiation: Leasing vendors are extremely adept at masking the actual impact of their financial manipulations and contractual terms. This course opens the book and gives you the means to negotiate the deal most favorable to you.

Successful Outsourcing: One of the most crucial decisions an organization can make is to outsource a function. It is critical to negotiate the right contractual terms to ensure success. This course will show how to make sure that you can control the outsourcer and not vice versa. It will also help you design the path back if the project does not yield the expected results.

Sales Training for Buyers & Negotiators: The best way to negotiate with a salesperson is to put yourself in their shoes and learn exactly how they have been trained to sell. The course Instructors have trained salespeople and been salespeople themselves. A side benefit reported by course attendees is that they are better able to sell their ideas within their own organization.

All of these courses are highly customizable. They can be adopted as is, using our terminology. They can also be used as the basis for designing your own internal training program using your terminology, adapted to your internal processes and conforming to your organization culture. They can be delivered by our highly experienced professional Instructors or we can train you to deliver it internally. They are designed to **Maximize your Return on Investment and Accelerate Results**. To schedule Training, please phone or contact us at the address below.

CONSULTING

For all the areas in which we train, we can provide you with Consultants who can help you. This could be because you may want an experienced person to demonstrate our training in the real world environment of your organization ...or you may simply not have enough resources right now – anything from documenting a Request for Proposal to carrying out a full-scale negotiation on your behalf ...or for any other reason where our highly-skilled Consultants with many years of hands-on experience can help.

When it comes to the Procurement and Negotiation Process we can either help you set it up from scratch or review your existing process providing recommendations and implementation help. We recognize that each organization has its own unique cultural characteristics, organizational maturity and specific challenges. Our experience with over 120 of the Fortune 500 corporations gives us a perspective that ensures successful implementation. With Leadership Implementation (see below) we make sure that your new process is accepted by the whole organization

Whatever the reason we practice what we preach. Everything you will get from the Consultant is designed to **Maximize your Profit and Accelerate Results**. For more information contact us at the phone, e-mail or address below.

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LEADERSHIP IMPLEMENTATION

At Maxelerate we can train you. We can also use experienced consultants to help you get the job done. But it does not stop there. We also have methods to help ensure that the new training or process gets effectively implemented, gets used by your employees and becomes part of your corporate culture. We call this **Leadership Implementation**. It ensures that you get the Return on Investment that you expected.

The key to obtaining the benefit of a new program, process or skill, in a large organization is to understand that people rarely perform in isolation. A person may be personally convinced to take a new line of action only to run into obstacles created by existing internal relationships, structures and environments. If you do not take care to address all these areas, behavior will return to “business as usual”.

We use a variety of methods depending on the actual circumstances and corporate culture. Consequently, Leadership Implementation is highly customized. However, we draw from a series of well researched and meticulously developed techniques in the areas of Meeting Facilitation, Executive Coaching and Mass Coaching. What makes the difference is that they are designed not only to be effective but also to get results fast. This is the origin of our company name: Maxelerate – **Maximize** your Return on Investment and **Accelerate** Results.

Our methods use several basic principles. You are always the leader - we only facilitate. When facilitating, demonstrating and teaching we use examples from our personal experience. If an exercise or workshop is needed you do not perform theoretical exercises. You will use actual live situations in your own organization.

Here are some of the exercises that can be used in Leadership Implementation:

Survey: You identify the areas which will get affected by change in the implementation in the first step. We conduct a survey that will reveal to you the size of challenge you face in implementation. It includes essential information for successful implementation: identification of positive/negative attitudes that will help or hinder critical Tasks to make it happen, milestones that must be met and much other data for a successful plan.

Breakthrough: This exercise focuses you on the one or two key elements that block the implementation. Once identified, we help you break through the blocks so that the implementation proceeds smoothly and quickly

Start Event: This facilitated event is designed to communicate your message and the essential steps for a successful implementation. The audience is all the people that will implement or be affected by the process. The feeling of commitment out of this event is profound and without parallel in conventional training.

Strategy Event: Strategy for implementation is required at many different levels. There is the overall master strategy. There are also mini-strategies within it. The most important are the many mini-strategies that departments, work-groups and individuals must use to adapt

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from their current state to the new process. The techniques used in this event make sure that they are comprehensive, pertinent to the master strategy, and truly implementable.

Change Event: Most people are familiar with the Change Curve that describes the inevitable emotional reactions people experience before they finally accept and embrace a change. But how to straighten it? Or how to compress it? Whatever analogy you use, the techniques used here help people move through the Change Curve as quickly as possible. This accelerates the benefit of the implementation

Communication Plan: A well executed communication plan is critical to the success of a new project. These techniques help you identify what must be communicated, how, the audience and the best methods.

Executive Coaching: One of our central competencies is Executive Coaching. It covers CEO's and all other executive levels. What sets our method apart is its focus on rapid results. Senior executives do not have time for multiple-year codependent therapy-like coaching relationships. The market environment rewards or punishes quarterly. Our method is attuned to this requirement for speed.

Objective Coaching: Coaching may be required at all levels of the organization – executive, management and/or non-management. In a new project it may be required

Donut Holes: The term refers to those bite-sized balls of donut that donut shops sell as “donut holes”. We have a collection of over 30 mini-exercises and mini-workshops that our Facilitators use in Events to achieve rapid effective results.

The above examples are illustrative of some of our Leadership Implementation services. They can be used singly, such as Executive Coaching, or in combination for a full-fledged implementation of a new process, project, program or corporate culture change. Our Facilitators are experienced, trained and sensitive to the dynamics of group meetings. Their participation in your implementation will help you achieve optimum results – fast. Implement your project by contacting us at the phone, e-mail or address below.



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