



2014

Purchasing Forum & Trade Show *Planting Seeds Today for Tomorrow's Success*



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Negotiation Planning and Execution

MAY 14, 2014

Agenda

- **Objectives**
- Negotiations Background
- Preparing for Negotiations
- Executing Negotiations
- Debriefing from Negotiations
- Negotiation Templates That You Can Use

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Class Objectives

The objective of this session is to understand the following:

- Negotiation preparations
- Planning an approach to negotiations, including identifying negotiation levers and solutions, and managing key stakeholders
- How to successfully deliver key messages to a vendor during negotiations
- Debriefing stakeholders post-negotiation

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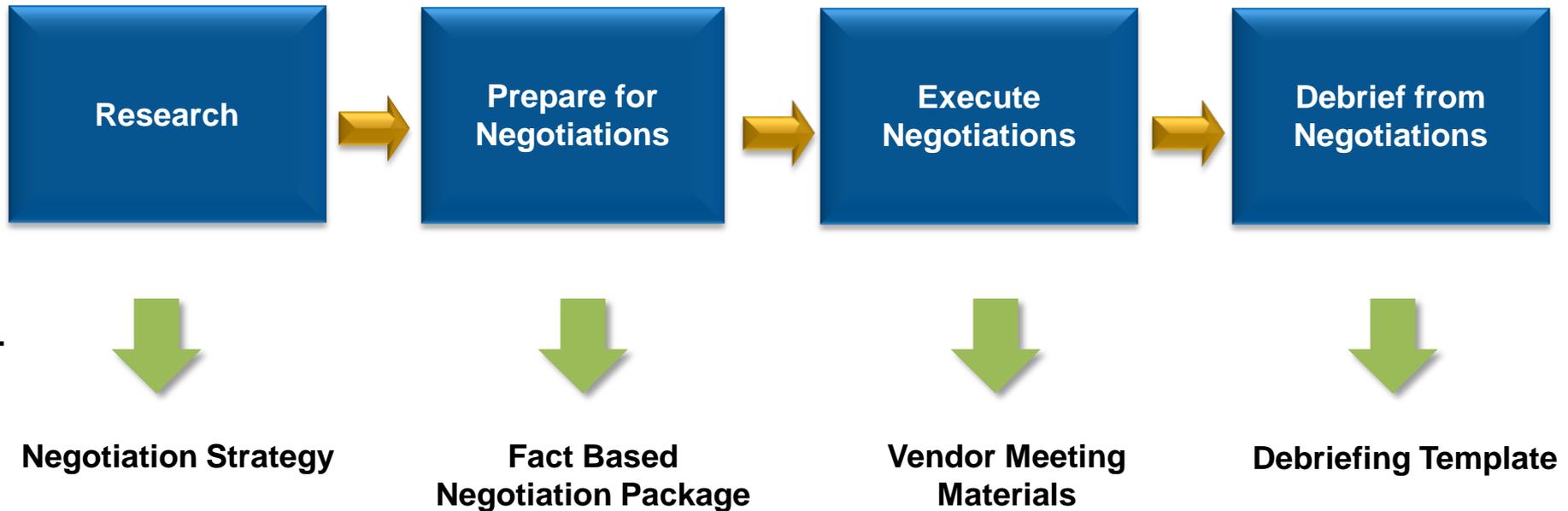
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Negotiations Background

Negotiation Process

When seeking to undertake fact-based negotiations, key steps involve research, preparation, execution, and debriefing.



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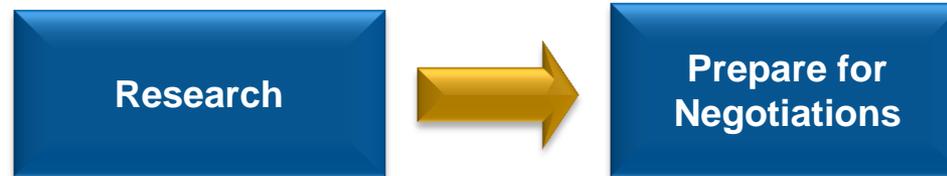
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Negotiations Background

Research

Research will help determine if a fact based negotiation is the recommended strategy for a particular contract and/or project.



Answers to the following questions should be obtained prior to negotiation preparation.

- How much does your agency spend in this area?
- Who are they spending it with?
- Are there other government entities receiving better pricing, terms and/or conditions?
- What is the historical cost for the good or service?
- What procurement options do you have available?
- What is the recommended strategy?
- What are the estimated savings that can result from your strategy?

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Preparing for Negotiations

Develop Negotiation Goals

Negotiation preparation starts with documenting the goals and objectives to ensure proper alignment of the negotiation strategy.

Objectives: What is the purpose of the negotiation?

Goals: What are targets for achieving success?

Process: What approach will be used to meet the goals?

Stakeholders: What individuals need to be involved and what are their roles?

Location/Method: Where and when should the negotiation occur?

Vendor Communication: Does the vendor understand why negotiations are occurring and what the process will be?

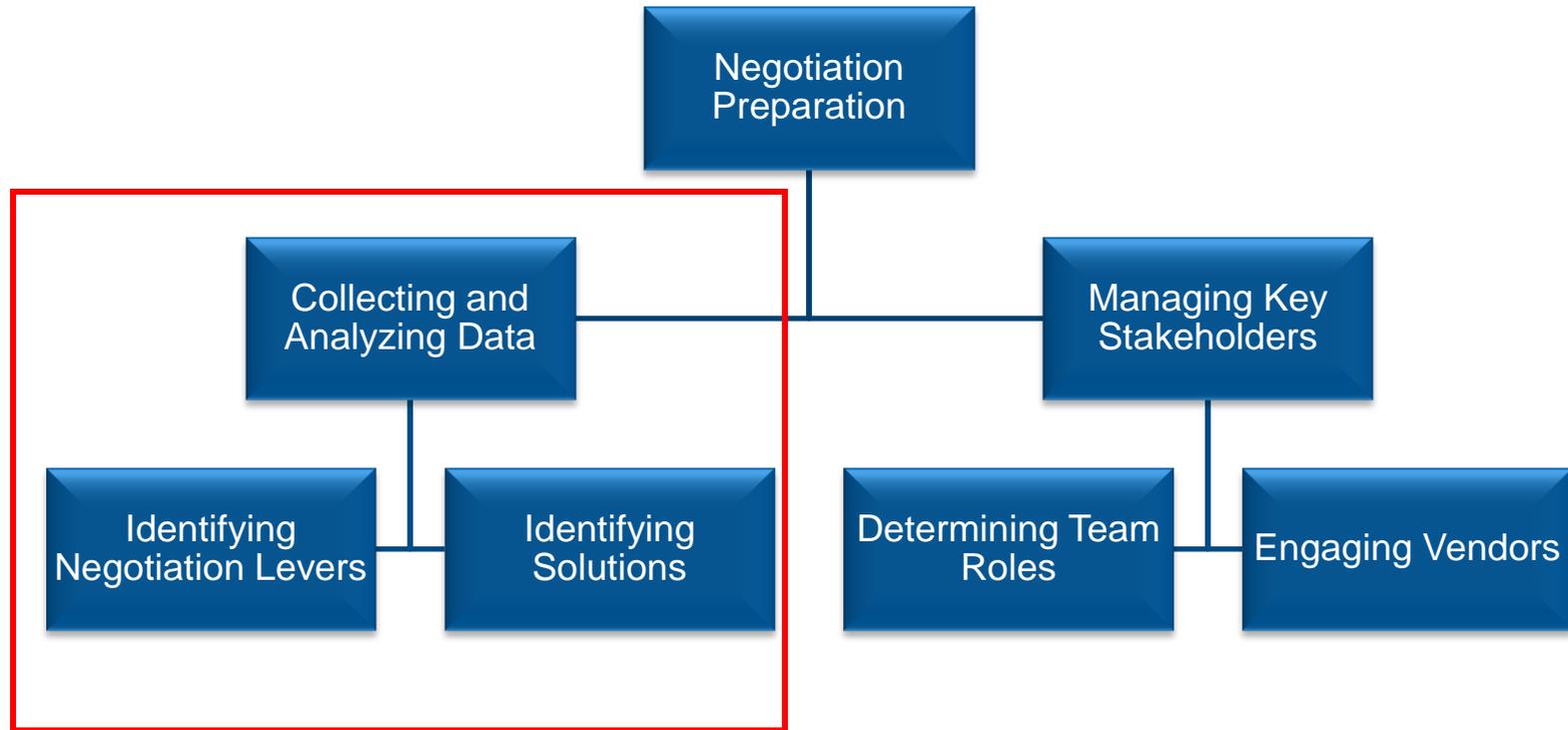
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Preparing for Negotiations

To prepare for a successful negotiation there are two primary inputs: collecting and analyzing data and managing stakeholder involvement.



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Preparing for Negotiations

Identifying Negotiation Levers

Negotiation Levers are used to position your agency favorably during vendor negotiations.

- Negotiation Levers are key findings that support your agency's position
- Negotiation Levers are usually determined based on information gathered during the research phase
- Example negotiation levers:
 - Ability to increase volume with vendor
 - Results of peer state and agency benchmarking (if more advantageous than your agency)

The intent is to deliver a message that compels the vendor to provide your agency better pricing, better terms and better conditions.

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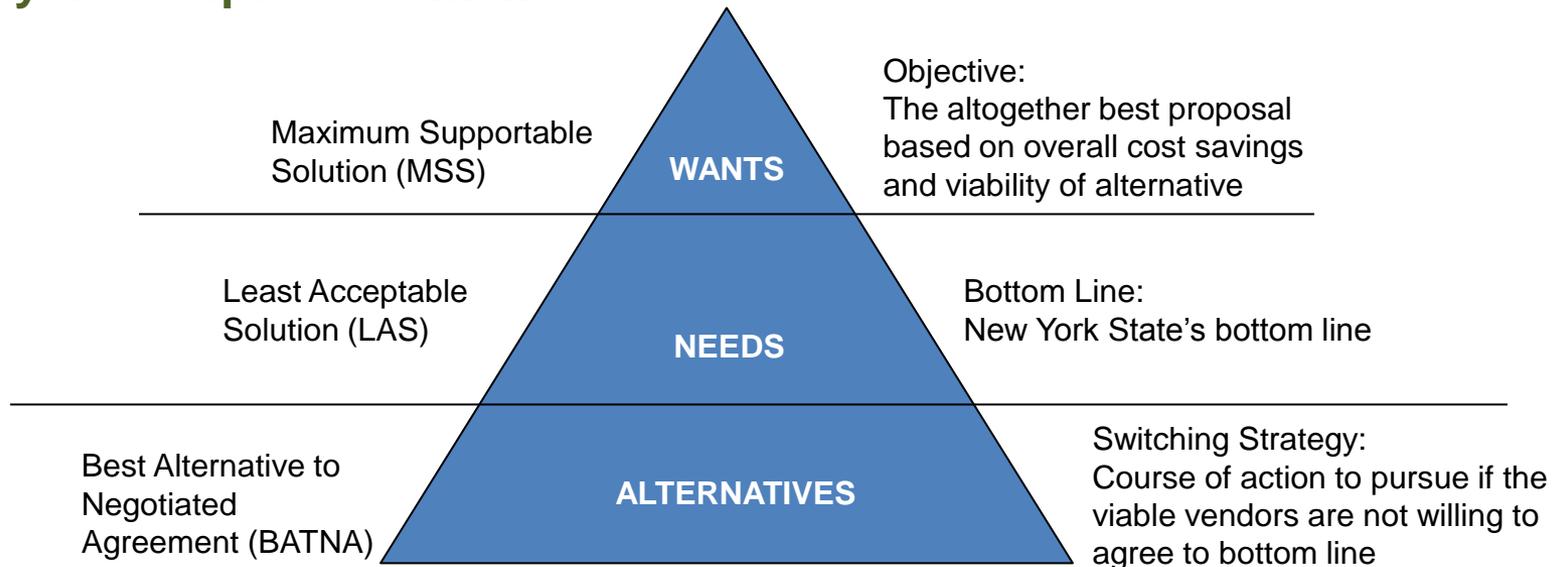
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Preparing for Negotiations

Identifying Solutions

A key component of Fact-Based Negotiations is coming prepared with a **Maximum Supportable Solution**, a **Least Acceptable Solution** and the **Best Alternative to Negotiated Agreement**, all based upon information from the analysis completed earlier.



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Preparing for Negotiations

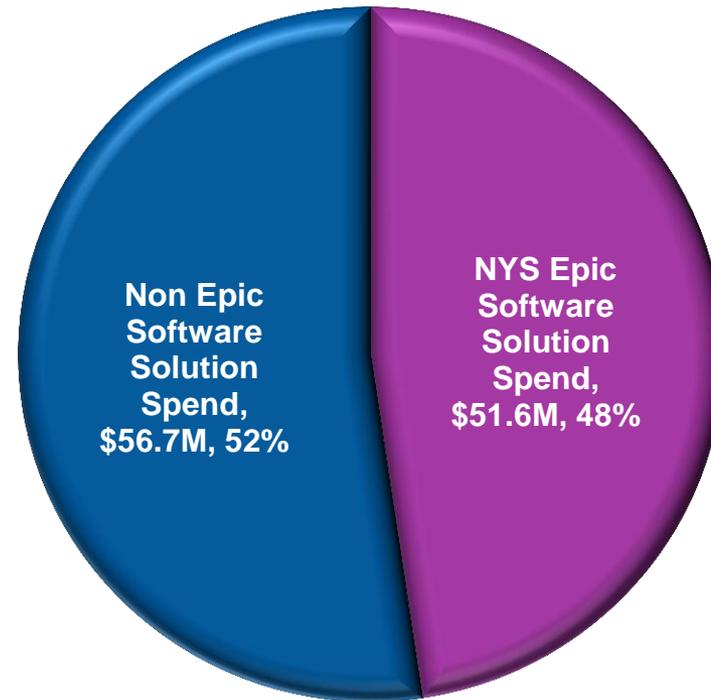
Example: Negotiation Levers

For the negotiation with the Epic Software Solutions*, a key negotiation lever was the potential to increase NYS market share.

Current Annual Sales

Observations

- With reduced prices resulting by improved payment term discounts, Epic Software Solutions has an opportunity to increase its market share among NYS agencies
- Since 2010-2011, Epic Software Solutions' total sales to NYS and market share have decreased.



**Names have been altered to protect the name of the vendor.*

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Preparing for Negotiations

Example: Solutions – Epic Software Solutions

The example below demonstrates a sample MSS, LAS, and BATNA that were used for the Epic Software Solutions negotiation.

Maximum Supportable Solution

Increase current payment terms by 1%

- Focus will be on increasing 30 day payment term discount from -1.88% to -2.88%

Negotiate a .5% rebate similar to WSCA

- Rebate will apply to all spend for the duration of the renewal (November 1, 2014 – October 31, 2015) with the exception of select vendors as listed in WSCA agreement

Negotiate a discount equal to what Massachusetts is receiving

- Massachusetts is currently receiving 6% discount for all purchases through software contract (this is in addition to any payment term discount negotiated)

Least Acceptable Solution

The least acceptable outcome would result in a net increase in savings by October 2015 of 1%

- The 1% savings can be a result of any combination of the following items:
 1. Increased payment terms discounts
 2. Rebate
 3. List Price Discount
 4. Any other evaluated savings proposals from Epic Software

Best Alternative to a Negotiated Agreement

- Determine feasibility of piggybacking on WSCA contract
- Consider opportunity in expanding NYS business with Uber software, who is also on contract for software sales, by not renewing deal with Epic

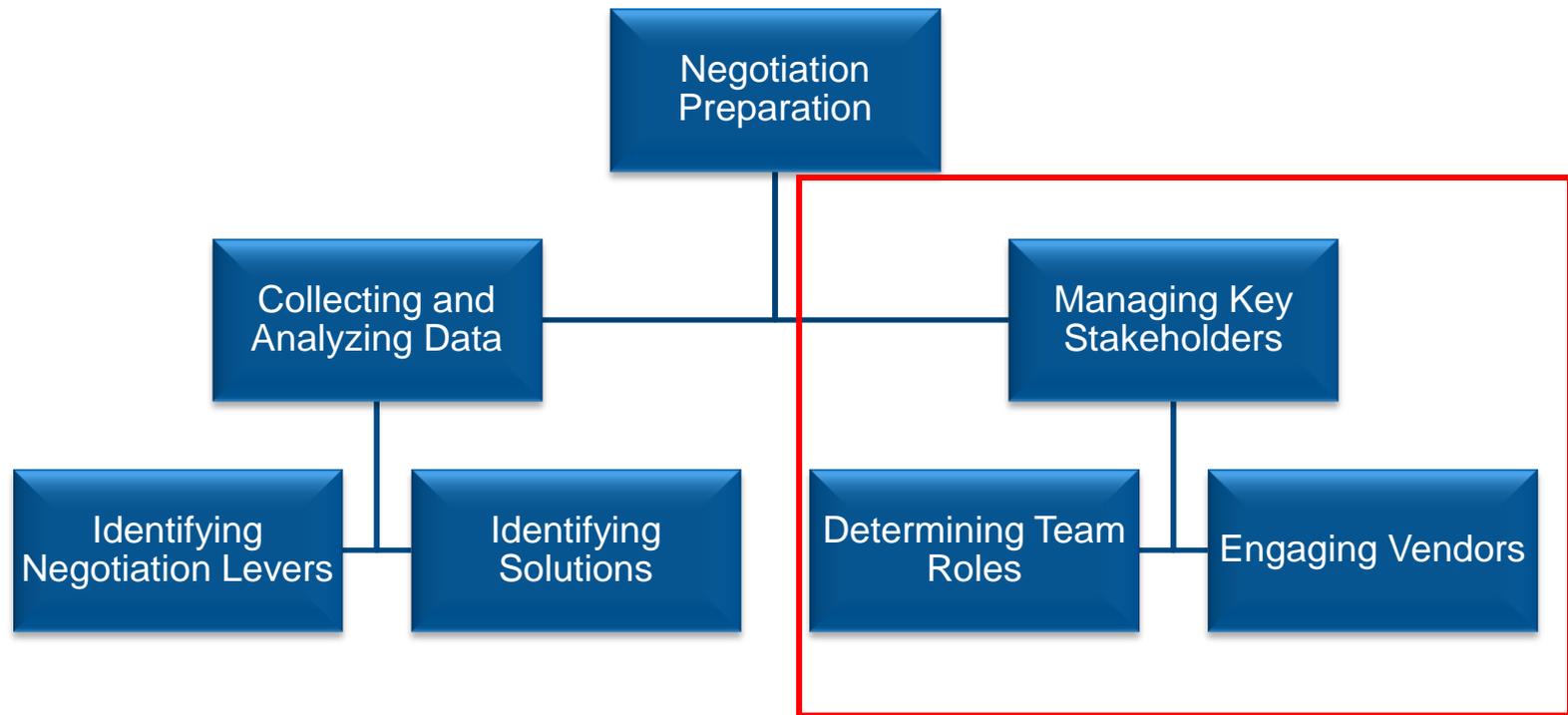
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Preparing for Negotiations

After collecting and analyzing data, the next component of negotiation preparation involves managing key stakeholders.



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Preparing for Negotiations

Determining Team Roles

Defining participants' roles is essential to effectively communicate your agency's position.

Role	Responsibility
Meeting Facilitator	<ul style="list-style-type: none">• Conducts primary discussions with vendor• Serves as primary owner of the development of the Fact Based Negotiation Package
Stakeholder	<ul style="list-style-type: none">• Provides subject matter expertise• Offers insight into Agency usage and needs• Gives insight into historical vendor relationship
Support Staff	<ul style="list-style-type: none">• Provides background on data analytics used for contract/project findings• Offers support to develop the Fact Based Negotiation Package• Assists with coordinating meetings
Legal Advisor	<ul style="list-style-type: none">• Provides legal support
Vendor Representatives	<ul style="list-style-type: none">• Maintains relationships with your agency• Represents vendor's interests• Serves as decision maker that is able to enforce agreed-to terms in negotiations

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Preparing for Negotiations

Engaging Vendors: Potential Vendor Counter-Arguments

It is important to think about what counter-arguments vendors may have about your agency's request.

- Fact Based Negotiation Packages should involve the development of potential vendor counter-arguments and your agency's responses to these counter-arguments
- Identifying a vendor's potential counter-arguments helps your agency consider the vendor's interests and how they will be impacted by the negotiations
- Inputs to determine a vendor's potential counter-arguments and your agency's responses may include the extended team, industry research, and peer state/other agency benchmarking

Sample counter-arguments that vendors may use include:

- "We'll go out of business."
- "We are already giving you a great deal, anything more and we will not make any revenue on this contract."
- "This has been fine for several years, why change now?"
- "Our legal office will never approve it."

Think about what happens when you try to buy a car.

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Preparing for Negotiations

Example: Potential Vendor Counter -Arguments – Epic Software

During the software negotiation process, Epic Software Solutions mentioned almost all the counter-arguments the team had discussed.

Potential Epic Software Solutions Counter-Arguments	Example Response
Epic Software Solutions is willing to give NYS a deeper discount if they receive a volume commitment by NYS	<ul style="list-style-type: none">• Agency does not give any vendors volume commitments• Agency is willing to discuss volume driven discounts• Agency can encourage users to purchase from Epic Software Solutions if pricing is favorable
Epic Software Solutions margins do not allow for a deeper discount	<ul style="list-style-type: none">• Massachusetts (lower spend) and WSCA are both receiving higher discounts than NYS agency

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Preparing for Negotiations

Additional Activities

Additional activities necessary prior to negotiations.

Gain appropriate stakeholder and leadership approval

Prepare fact based negotiation package

Conduct negotiation prep sessions / pre-meetings

Understand your negotiating style

Develop an agenda to manage meeting length and document key objectives

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Executing Negotiations

Requirements for a successful negotiation.

Who?

- The vendor needs to understand that the agreement will not be executed without appropriate agency approval.

What?

- Maintain the fact based negotiation package as an internal document, and prepare separate materials for the vendor meeting (Template in Appendix)

Where?

- Location can play a factor.

When?

- Upon stakeholder approval, your agency should attempt to schedule negotiations as soon as possible

Why?

- There is always an ability to improve a vendor agreement, whether it is better terms, better pricing, or better service levels

How?

- Ensure the key messages are delivered.

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Executing Negotiations

Lessons Learned

There are a few additional tips that can help lead to a successful negotiation.

- Do not provide materials in advance to the vendor
- Vendors may view the negotiations negatively
- Vendors prepare, and are often trained for, negotiations with their customers. State staff should do the same.
- Ask for proposals and counter proposals in writing to allow your agency the ability to analyze
- Stay on message and observe the time allotted for the meeting
- It may be advantageous to involve Leadership in negotiations

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Executing Negotiations

- Issues or roadblocks may arise when executing negotiations
- **Getting to yes**
- When to walk away

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Debriefing from Negotiations

Upon completion of a Fact Based Negotiation, the team should discuss lessons learned and document results achieved.

- Discuss Lessons Learned
 - What went well?
 - Where are there opportunities for improvement?
 - Did you identify the vendor's "pain points"?
 - Did you address the vendor's counter-arguments effectively?
- Document Results Achieved
 - What was the result of the negotiation?
 - Were savings identified?
- A debriefing meeting with stakeholders should be held immediately after the negotiation session where possible
- Execute agreement or amendment with new pricing and terms

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Session Recap

Negotiation Planning and Execution

Negotiation planning and execution is a critical competency for all procurement professionals.

The objective of this session was to understand the following:

- Inputs into preparing for and executing negotiations
- Learn how to plan a negotiations approach, including identifying negotiation levers and solutions and managing key stakeholders
- How to deliver key messages to a vendor to execute a successful negotiation
- Discuss the post-negotiation debriefing process with key internal stakeholders

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Negotiation Templates That You Can Use

Overview

NYSPro has developed several templates that can easily be used to help you plan and execute negotiations.

Our templates have been grouped into the following “categories”:

- Objectives
- Fact-Based Negotiation Data
- Outcomes
- Meeting Preparation

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Negotiation Template That You Can Use

Objectives

Develop a summary document that clearly states your goals, potential outcomes, and next steps. This document is often needed when presenting to management for approval.

SAMPLE:

The purpose of this document is to ensure proper alignment of the strategy for negotiation with <Insert vendor Name>.

- **Fact Based Negotiation (FBN) Data**
 - Negotiation Lever 1
 - Negotiation Lever 2

- **Outcomes**
 - Vendor Benefits & Best Alternative to Negotiated Agreement
 - Best Potential Outcome & Least Acceptable Agreement

- **Meeting Preparation**
 - Ask for participant roles and responsibilities
 - Internal meeting agenda
 - Potential discussion points
 - Next Steps

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Negotiation Templates That You Can Use

Fact-Based Negotiation Data, Negotiation Lever 1

Identify and insert key messages, benchmarking charts, and observations resulting from data analysis.

<Insert key message>

Sample Benchmarking Chart

State/Entity	Insert Comparison Points
New York State	
Peer State	
Peer State	

Observations:

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Negotiation Templates That You Can Use

Fact-Based Negotiation Data, Negotiation Lever 2

Repeat this slide based on the number of negotiation levers you have identified.

<Insert key message>

Observations:

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Negotiation Templates That You Can Use

Outcomes

Identify what can happen based upon successful negotiations.

<Insert key message>

Vendor Benefits to Reaching an Agreement:

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Negotiation Templates That You Can Use

Preparing for Negotiations: Identifying Solutions

In this template, identify your agency's wants, needs and alternatives.

Maximum Supportable Solution

--

Least Acceptable Solution

--

Best Alternative to a Negotiated Agreement

--

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Negotiation Templates That You Can Use

Meeting Preparation: Participant Roles and Responsibilities

In this slide, you must define participant roles. This is essential to effectively communicate your agency's position.

Participant	Role	Responsibility
<Insert Name>	Meeting Sponsor	Communicates the agency's overall objectives and makes final negotiation decisions for the agency
<Insert Name>	Meeting Facilitator	Conducts primary discussions with vendor
<Insert Name>	Meeting Recorder / Support Staff	Document action items and agreed upon points; Provides insight, when needed, on fact based negotiation data
<Insert Name>	Legal Advisor	Provides legal support
<Insert Names>	Extended Team	Provide agency perspective, show unified statewide support for initiative
<Insert Names>	Vendor Representatives	Provides vendor perspective

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Negotiation Templates That You Can Use

Meeting Preparation: Internal Meeting Agenda

All Agency participants should be aligned on the meeting agenda. The outline in this slide will help confirm everyone's understanding of what will be discussed during the negotiation.

- **Introductions**
 - Speaker: All participants including Vendor representatives
 - Communicate name, department and role in meeting
- **Meeting Kick-off, Background and Purpose**
 - Speaker: <Insert Name>
 - Agency's Strategic Interests (e.g., provide easy to use contract for program staff that meets their business needs)
- **Agency Position**
 - Speaker: <Insert Name>
 - Review fact based negotiation data
- **Determine Next Steps**
 - Speaker: TBD <Insert Name>
 - Identify action items and determine timeline

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Negotiation Templates That You Can Use

Meeting Preparation: Potential Discussion Points

In this slide, identify potential counter-arguments from the vendor.

<Insert Vendor Name> will likely have counter-arguments to the Agency request. Here are the potential responses to those counter-arguments.

Potential Vendor Counter Arguments	Agency Response

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Negotiation Templates That You Can Use

Meeting Preparation: Next Steps

In this slide, map out your tentative timeline for follow-up meetings, due dates for responses from the vendor and a potential target completion date.

<Insert key message>

Tentative Timeline

- Initial meeting to be scheduled for XX/XX/XXXX
- Request from <Insert vendor Name> a response to (insert agency name) request within five business days post initial meeting
- Agency will send the FBN Data material to the <Insert vendor Name> representatives post initial meeting
- Final agreement to be reached by XX/XX/XXXX

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