

CONTRACTING AND NEGOTIATING: VESTED IN WINNING BUSINESS RELATIONSHIPS

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NEGOTIATION PARADOX



Contracting and negotiating are critical competencies in the increasingly global economy.

THE KEY TO SUCCESS

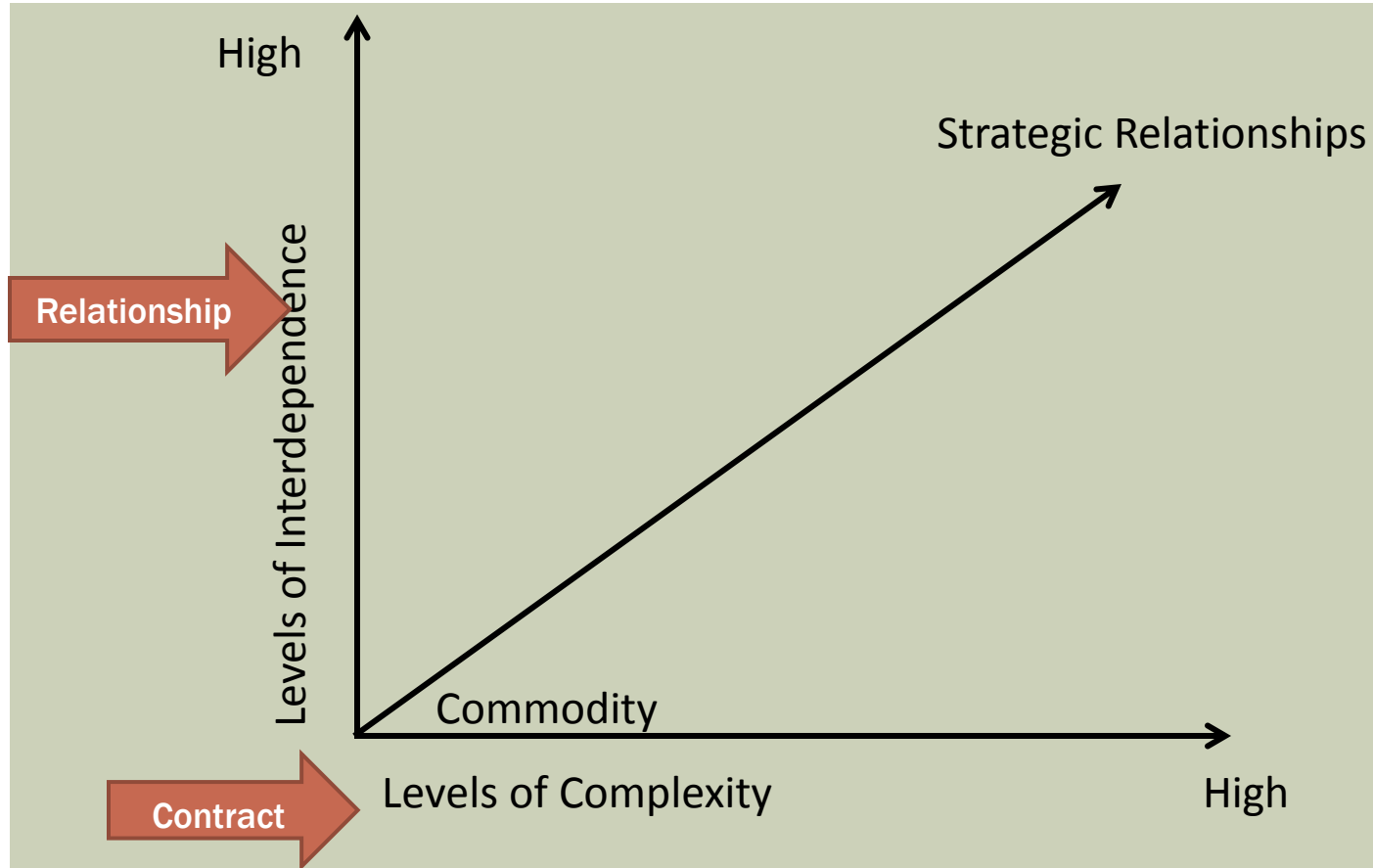
Match the contracting and negotiating skills to the sourcing model.



Mastering commodity contracting and negotiating does not mean you have mastered the skills needed for other sourcing approaches.

SOURCING CONTINUUM

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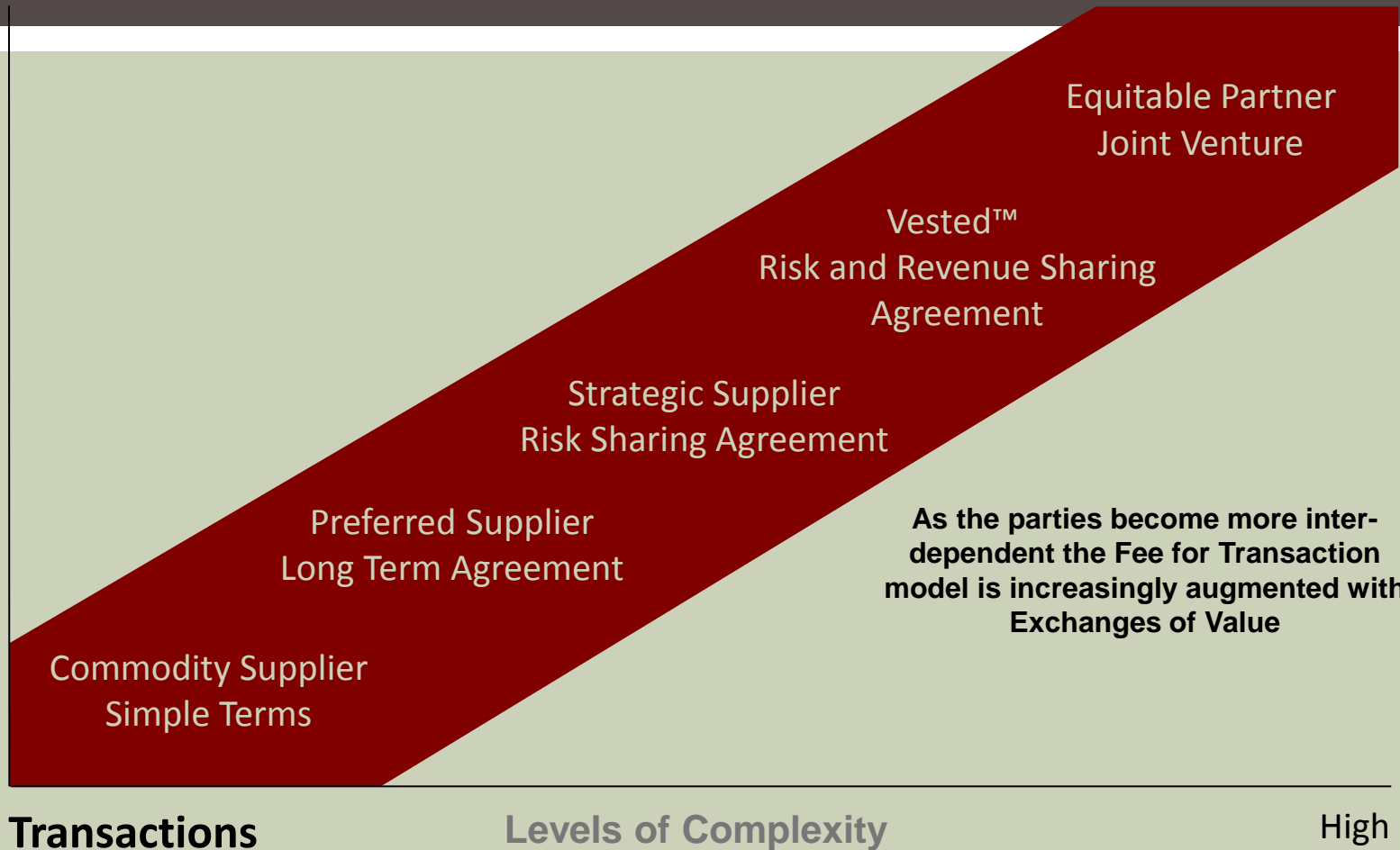


SOURCING CONTINUUM

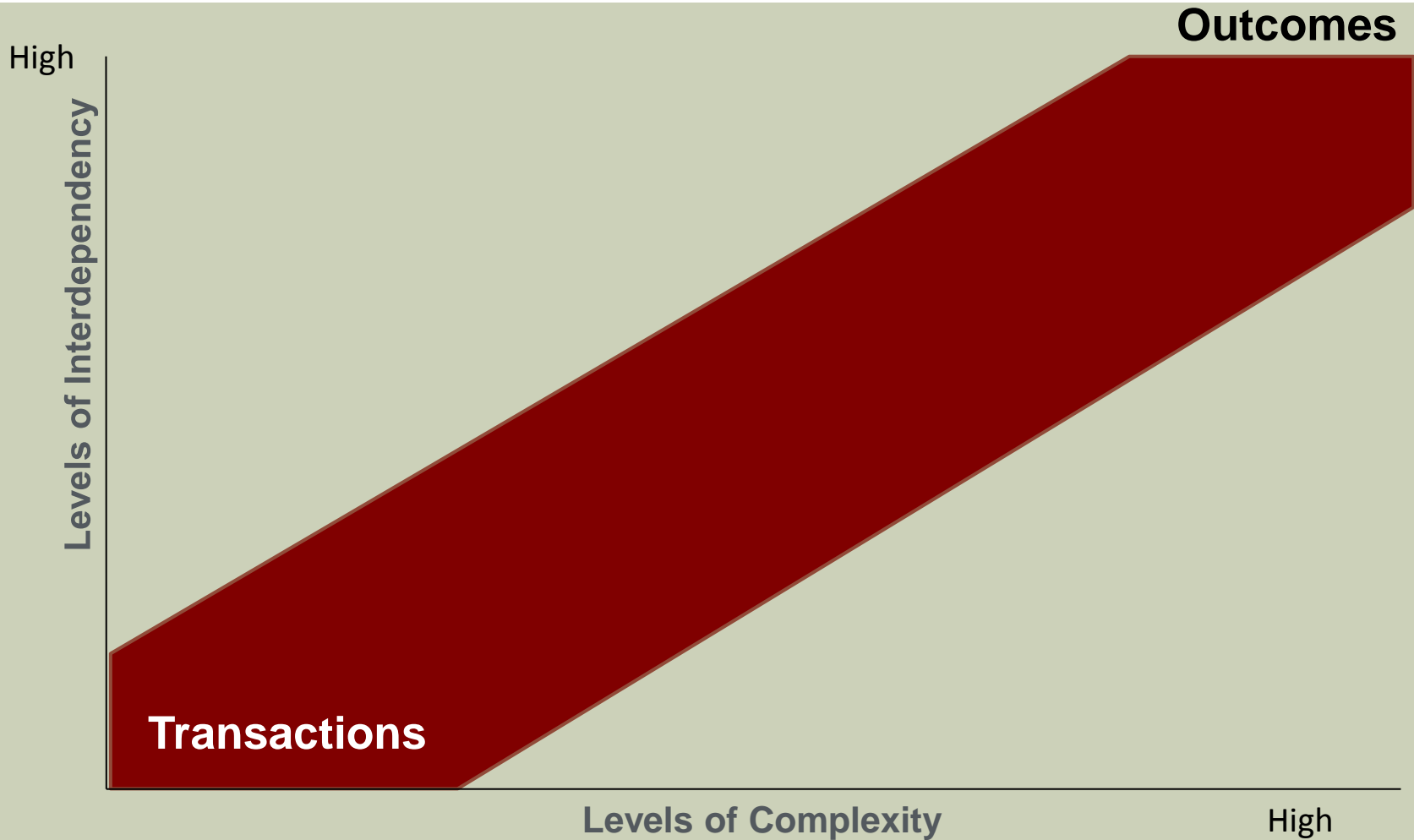
Outcomes

High

Levels of Interdependency



MAP YOUR DEALS



CONTRACTING PROCESS

TRADITIONAL BUYER PROCESS*

Key Inputs

- Solicitation (RFP, RFQ, etc.)
- Bid or Proposal
- Buyer's source selection process
- Seller's past performance
- Previous contracts
- Competitor Profile Business Ethics/ Standards of Conduct Guidelines
- Market and Industry practices

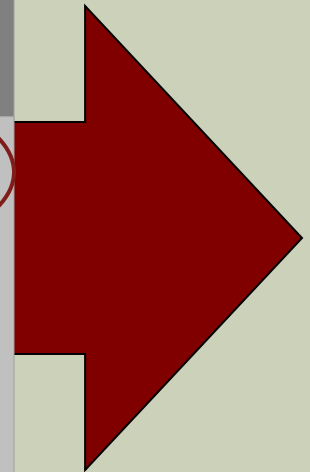
Techniques

- Oral presentations by seller
- Highly skilled contract negotiators/buyers
- Legal Review
- Business Case Approval

- Contract Negotiation
 - Plan negotiations
 - Conduct negotiations
 - Document the negotiation
 - Draft the Contract

Desired Outputs

- Contract or Walk away



TRADITIONAL SELLER PROCESS

Key Inputs

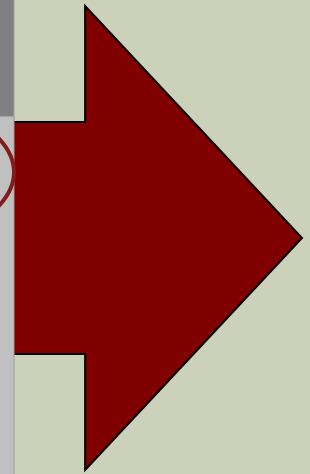
- Receive Solicitation (RFP, RFQ, etc.)
- Review Bid or Proposal (decide whether)
- Buyer's past buying history
- Review previous contract for profitability
- If responding, decide how to respond
- Estimate price based on solicitation, current costs and projections

Techniques

- Oral presentations to buyers
- Highly skilled sales reps
- Contract Negotiation
 - Conduct negotiations
 - Review documentation from the buyer
 - Review contract language from buyer
 - Legal Review
- Identify contentious issues
- Re-negotiate terms

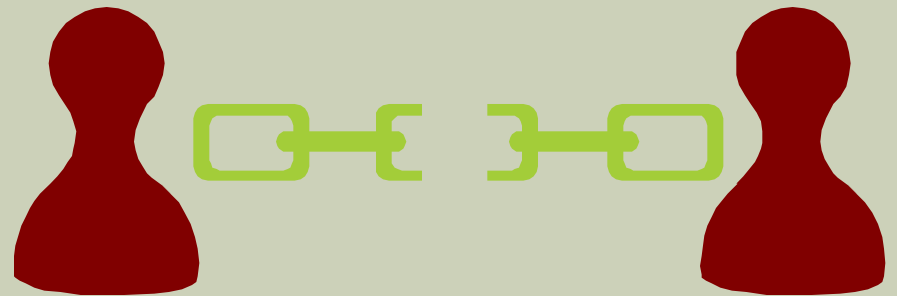
Desired Outputs

- Contract or Walk away



BREAK DOWN!

This process starts to break down as the parties become more interdependent and the relationship (and resulting contract) more complex.



A DIFFERENT GOAL – ESTABLISH A HIGH PERFORMING TEAM

**Develop RFS
with
business
unit**

**Interview
suppliers for
ability to
solve
problems**

**Select
Supplier
and design
SOW**

**Design
Pricing
Model**

**Formalize
Contract**

**Transition
the work**

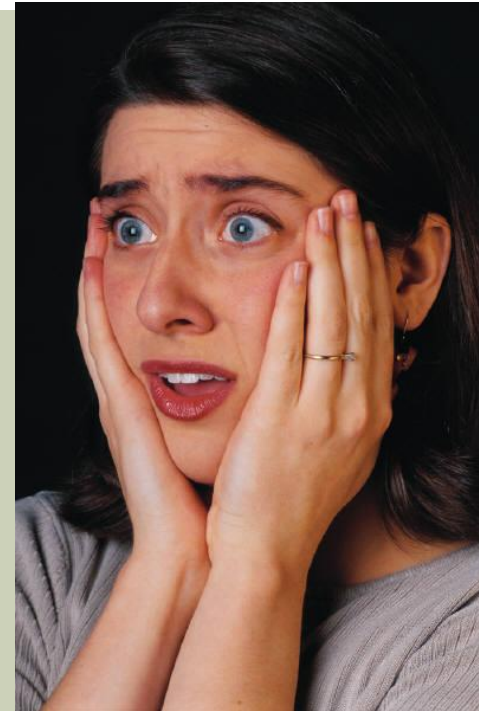
MATCH NEGOTIATION SKILLS TO SOURCING APPROACH

IACCM STUDY

“Account teams that collaborated (with their customers) usually spent more time understanding the customer’s business, had greater levels of customer respect and had built strong internal relationships with key stakeholders.”

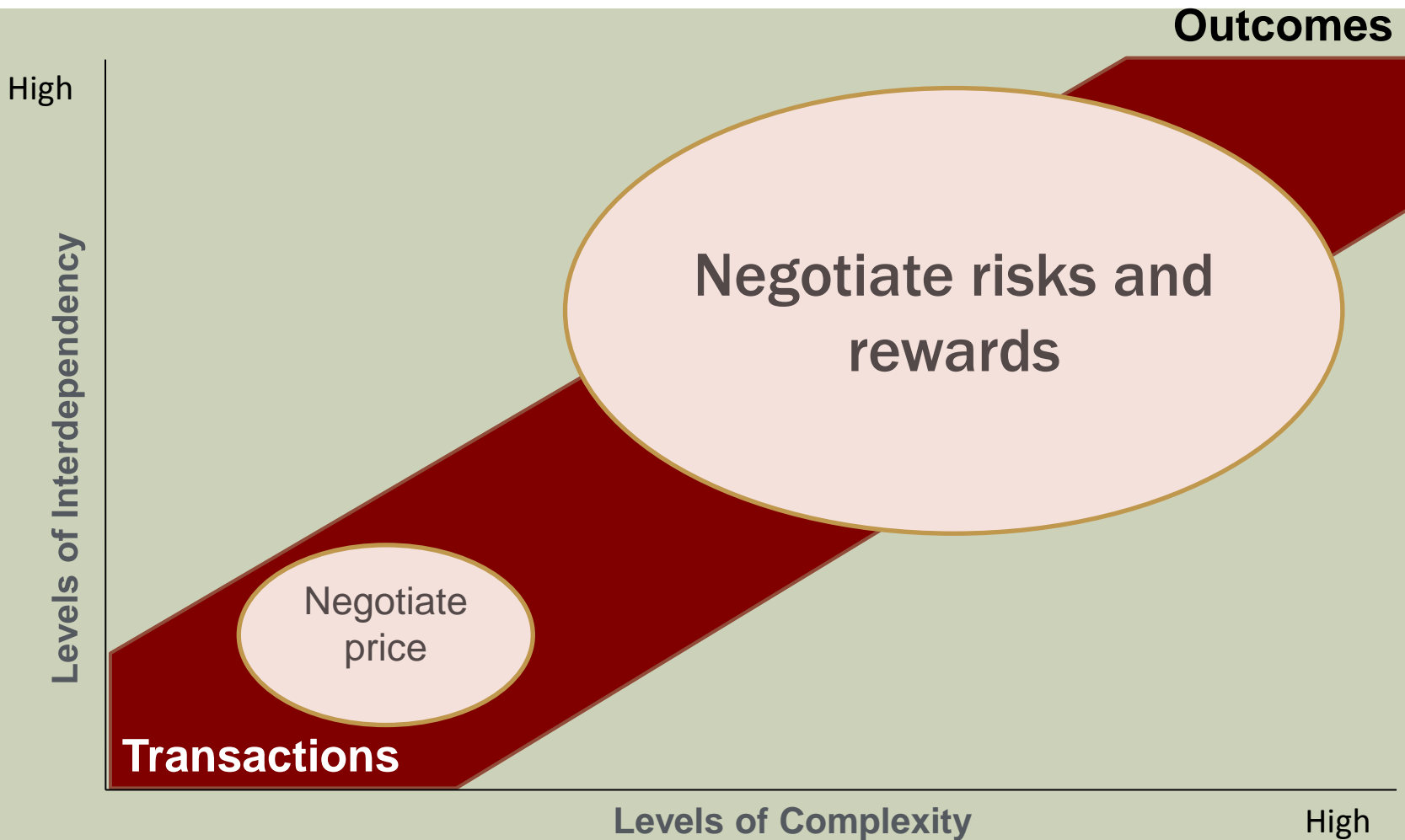
BUT

- **80%** of negotiators polled say they believe in win/win negotiations, but the **“other side”** derails the process. Tim Cummins, IACCM 2009.



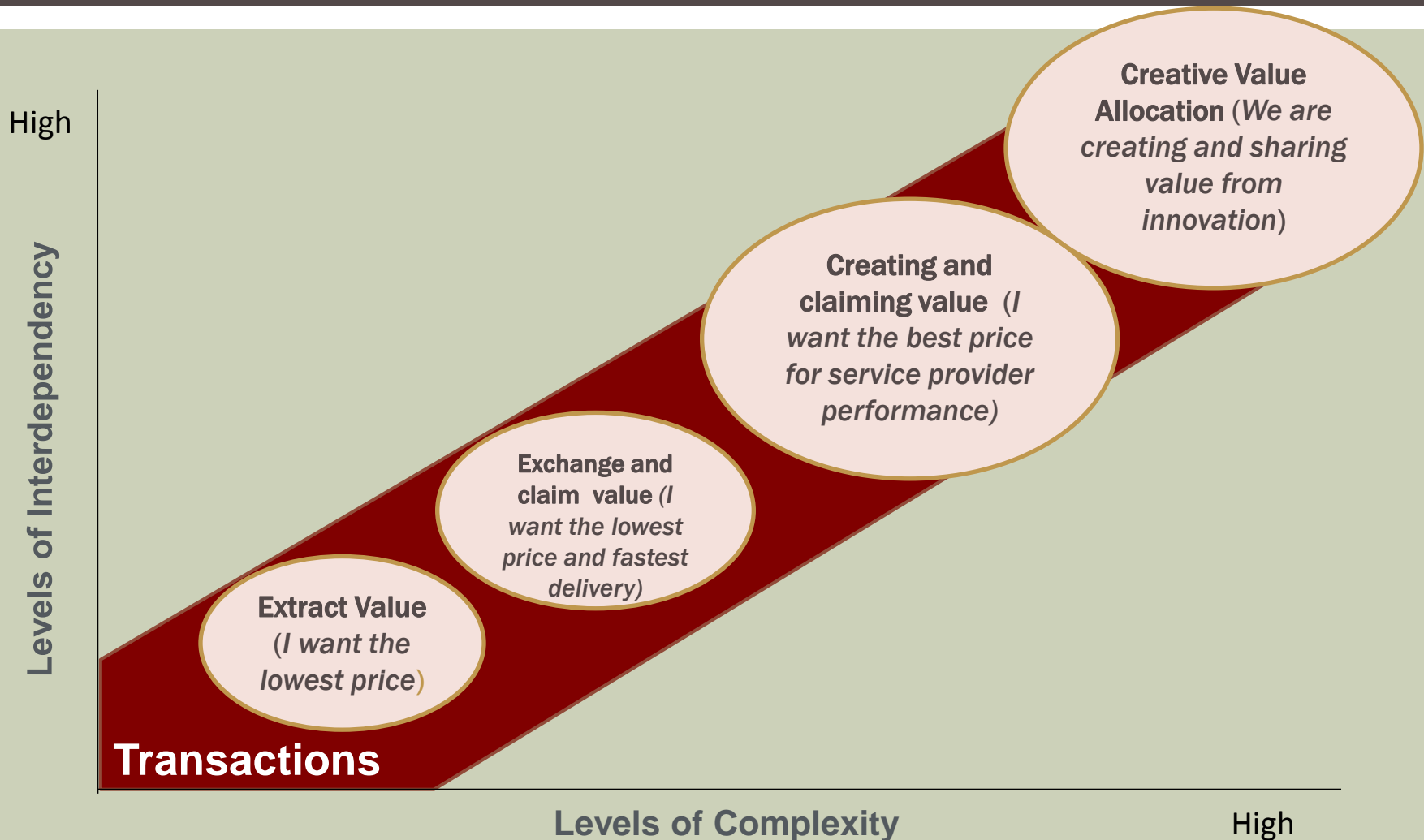
Who is the “other guy!?”

NEGOTIATION OUTCOMES



NEGOTIATION SKILLS

Outcomes

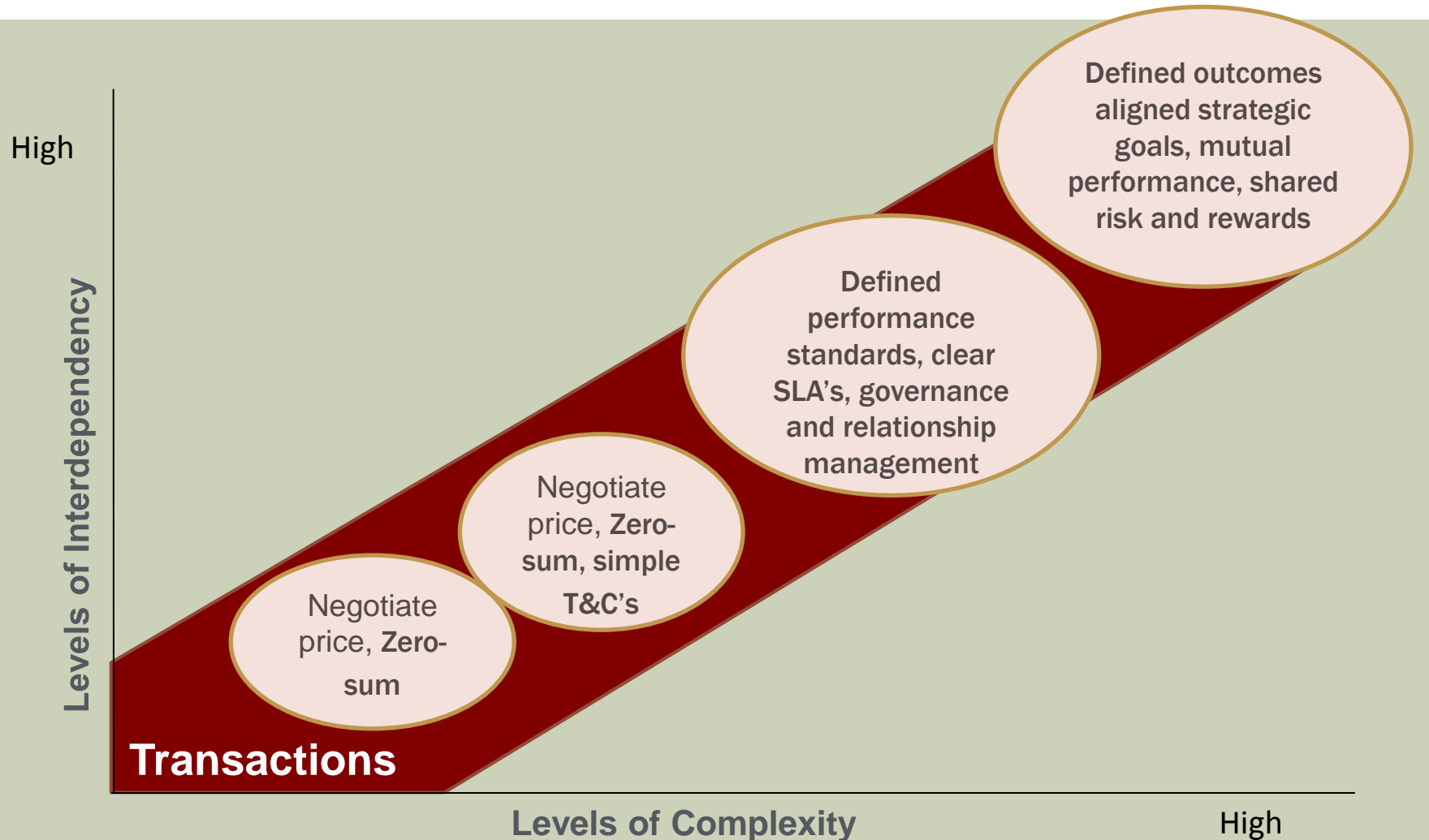


Levels of Complexity

High

NEGOTIATION OUTCOMES

Outcomes

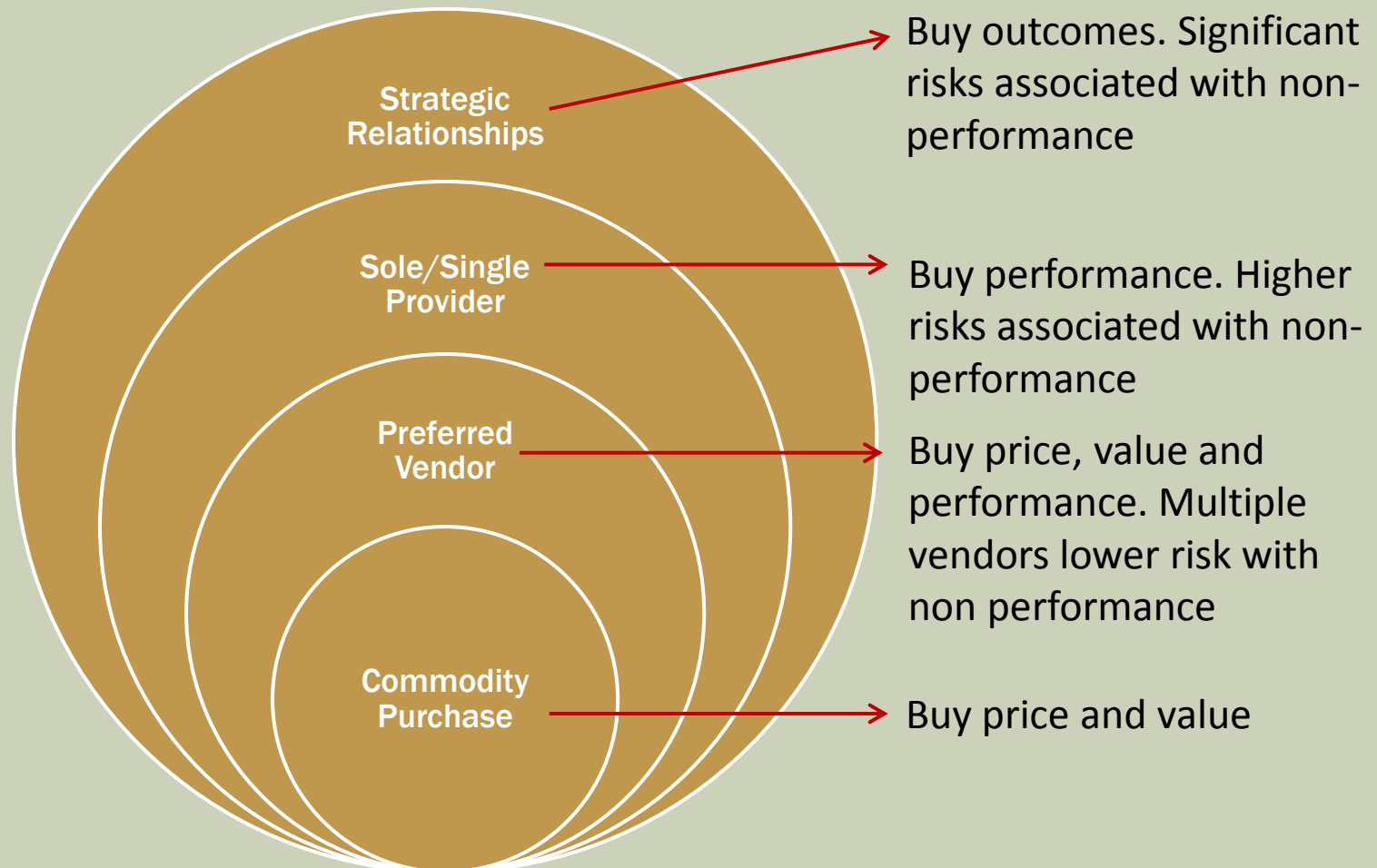


Levels of Complexity

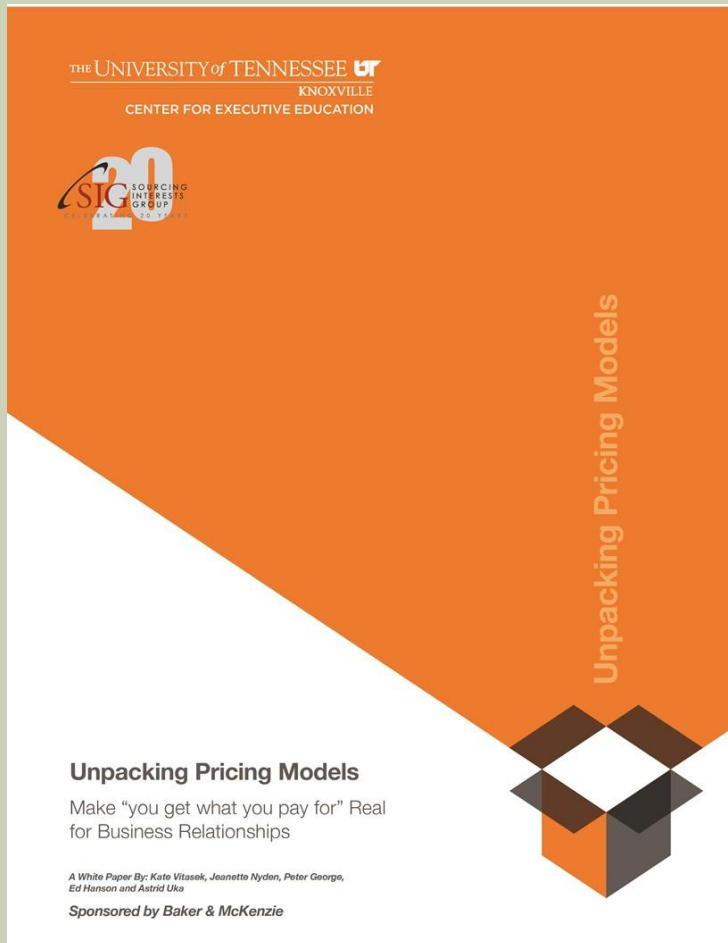
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High

CONTRACTING AND NEGOTIATION SKILLS



RESOURCES



To receive your free copy of:

Unpacking Pricing Models: Make “you get what you pay for” Real for Business Relationships

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Collaborative Contracting and Negotiation

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