

Advanced Outcomes Based Negotiation

MAKE YOUR PARTNERS WORK
AS HARD AS YOU DO...



THE NEGOTIATOR GURU

MEET THE GURU

DAN KELLY Founder & President

Our Founder and President Dan Kelly has over 10 years of advanced negotiation and strategic sourcing experience within both the public and private sectors. He is recognized as an IT Sourcing Senior Expert by industry experts and leading management consulting firms.

He started his career with the FBI, where he was in charge of Strategic Supplier Relationships on behalf of the FBI and its global investigations.

After leaving the FBI, Dan has supported Cargill, Syngenta and MTS Systems in various capacities, ranging from Senior Project Specialist to the Global Head of Indirect Procurement all within the span of 5 years.

Today Dan leads a team of Senior IT Sourcing Experts that provide industry leading IT Contract Negotiation services for our multinational client base. Our clients engage us to source, negotiate, and manage highly complex IT contracts/transactions/suppliers that require deep business understanding and senior expert negotiation skills.

Dan enjoys working with the firm's C-Suite clients to deliver immediate and long lasting financial impact to all stakeholders.

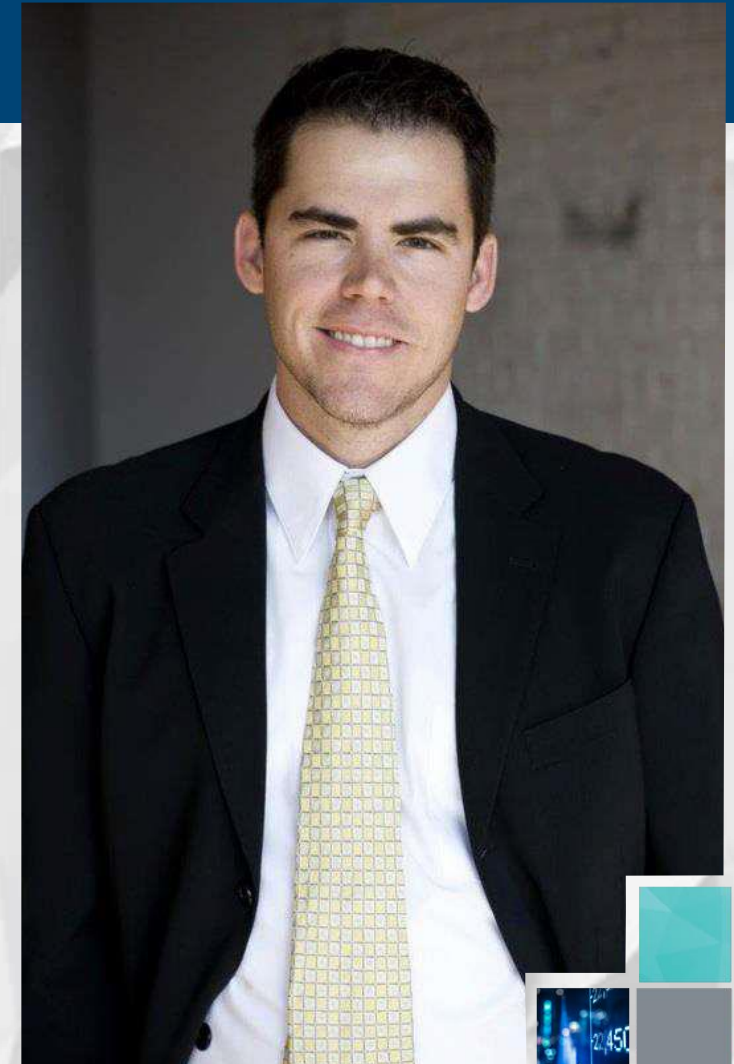
Dan's Experience:

IT Sourcing - **Federal Bureau of Investigation (FBI) | Cargill | Syngenta**

Global Head of Indirect Procurement - **MTS Systems Corporation**

Board Member - **Metropolitan Airports Commission's Traveler Advisory Committee**

Founder and President - **The Negotiator Guru**



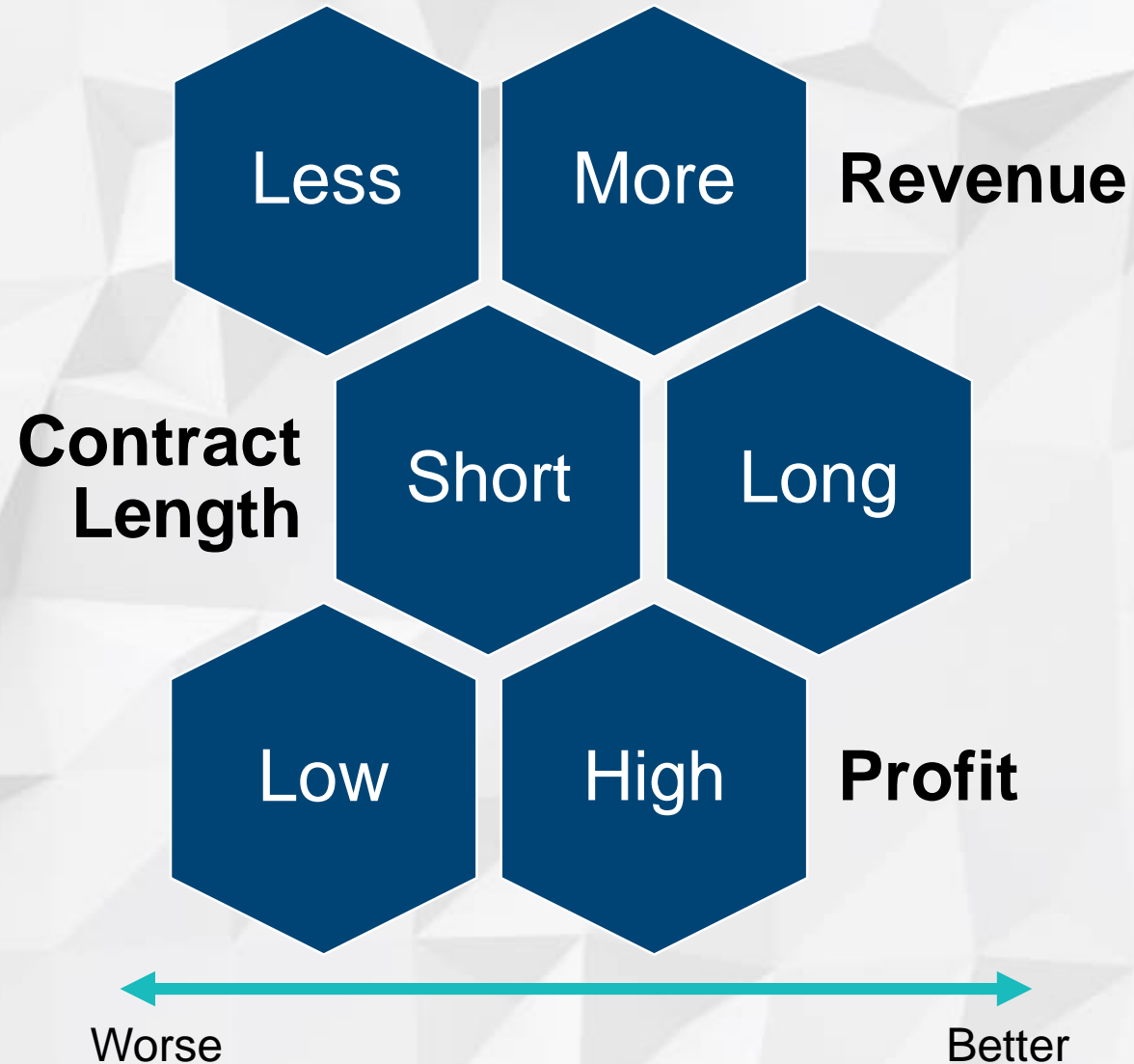
Common Challenges (from real clients)

- **“Our suppliers always seem to fail with regards to timeline and/or deliverables”**
- **“It always seems as if our IT projects are way over budget...”**
- **“I can’t get anyone to pay attention to our needs after we sign the Statement of Work...what gives?”**
- **“There is a strong disconnect between what my supplier says and what they actually deliver.”**
- **“I don’t have the time or resources to monitor every supplier relationship”**
- **“My strategic suppliers are very well integrated into my business. They often know more than I do, however, they get distracted easily based on varying internal demand. This leaves us trapped and with a loss in productivity.”**

**What does
“outcomes based”
mean to you?**



Basic Value Components



Outcomes Based Value Components



Press Release



- **Objective:**
 - Identify opportunities where the supplier is looking to leverage your company's brand equity to create external opportunities
- **Approach:**
 - Most commonly used at the beginning of the negotiation (lowest effort and risk)
 - Create a SMART Goal
 - Identify key metrics that are being improved with realistic measurement
 - Should be a \$0 cost effort for both parties
- **Expected Outcome:**
 - Quickly and easily align mutual interests of both parties
 - Buyer: On time & Under budget
 - Seller: External credibility to drive more business development
 - Drives accountability at all levels
- **Watch outs:**
 - The buyer should always maintain the right to opt-out if supplier underperforms and did not achieve the Goal



Cost Savings



- **Objective:**
 - Identify opportunities where the supplier is paid based on achieving actual cost savings for your firm
- **Approach:**
 - Establish a baseline for your area of focus
 - Identify a cost savings target
 - Standard is 10 – 20%
 - Create a defensible contract
- **Expected Outcome:**
 - Extract additional value from a core services relationship by incentivizing additional effort from the supplier
- **Watch outs:**
 - If not properly managed and monitored, your supplier could lose focus on the core services in the interest of identifying this additional revenue stream



Milestone Payments



- **Objective:**
 - Hold cash payments until specific deliverables are achieved on-time and within budget.
 - Contract incentives and penalties based on deliverables before or after target date.
- **Approach:**
 - Establish a target date for each deliverable
 - Identify an incentive percentage
 - Standard is 10% / Aggressive is 15%
 - Identify a penalty percentage
 - Standard is 15% / Aggressive is 25%
- **Expected Outcome:**
 - Drives outcomes based behavior from the supplier to meet or beat project timelines which enables upstream efficiency and eliminates any downstream impact (from supplier delays).
- **Watch outs:**
 - Suppliers that do not agree with this might know they will deliver late and don't want to be negatively impacted based on this reality.



\$52.3M in savings by renegotiating Oracle Reseller Agreement

One of our recent clients was a biopharmaceutical company with \$5B+ in annual revenue. The client was purchasing Oracle through a reseller. The original agreement was charged on a “case volume” basis which was leading to rapid growth in costs beyond our client's budget.

We helped the client renegotiate the agreement with the Oracle reseller by:

- Changing the cost lever from which the client was billed from “case volume” to “seat-based licenses”
- Setting rates on a “should cost” basis due to The Negotiator Guru’s extensive experience in the IT Sourcing industry
- We decided that 35% was an acceptable margin for a reseller to be charging the client for access to Oracle. Previously, the Oracle reseller had been charging a 200% margin.
- Handling the entire renegotiation process

The end result: **\$52.3M+ in savings over 5 years**

Incentive Payments



- **Objective:**
 - Develop specific incentive plans that are unique to the expected outcomes of your deal.
- **Approach:**
 - Incentive Payments are commonly attached to the following 3 variables:
 - Time (less time = more money)
 - Money (under budget = more money)
 - Outcomes (increased sales, retention rate, lower employee turnover, etc = more money)
- **Expected Outcome:**
 - A self-guided supplier that makes a cost benefit decision on whether to achieve specific incentive targets (cost/benefit analysis)
- **Watch outs:**
 - This outcomes based contracting method is not a guarantee for a specific supplier behavior
 - It is important to make the incentives realistic with regards to incentive and deliverables. Be very careful making aspirational goals that are unachievable without the supplier taking shortcuts.



Executive Access



- **Objective:**
 - Identify where suppliers are interested in obtaining additional visibility within the company. The intent being to obtain additional business internally or externally.
- **Approach:**
 - A stage gate approach that enables access to the c-suite only once deliverables and subjective expectations have been met.
 - C-suite presentation and/or one-on-one meetings
 - Establish referral agreement (assuming successful relationship)
- **Expected Outcome:**
 - Incentivized supplier that focuses on achieving subjective expectations (vs. only contract deliverables).
- **Watch outs:**
 - Ensure your c-suite understands the intent and reason for meeting with these suppliers. This will benefit all parties.



Reducing Salesforce.com contract from \$25M to \$13M

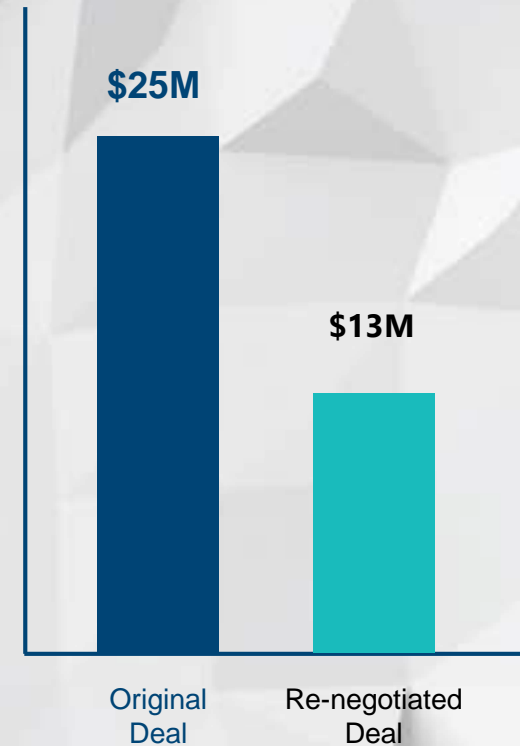
One of our recent clients was a financial services company with \$15B+ in annual revenue and 5,000+ employees.

We worked with the client to:

- Identify current state of contracts across the globe
- Coordinate global business units and stakeholder meetings to discuss opportunity, gather feedback and drive results
- Utilize proprietary tools, templates and techniques to assign global roles & responsibilities, action items and negotiation tactics in interest of speaking from one voice

The end result:

- \$13M+ in client savings



Joint Venture / Partnership



- **Objective:**
 - Identify opportunities where building together is attractive and efficient for both parties.
- **Approach:**
 - Identify mutual interests early and check-in regularly
 - Establish a guiding principles document that is signed off by both parties.
 - Create a timeline, kickoff deck, resource tree (executive/core project/supporting), and roadmap with milestones
- **Expected Outcome:**
 - Share risk and reward – Drives commitment and accountability
 - A lower total cost of ownership
 - A supplier relationship that produces revenue...not just cost.
- **Watch outs:**
 - Ensure you conduct due diligence in the development.
 - The supplier may become too comfortable knowing your cost of change is high.
 - It's imperative that all stakeholders are identified and aligned early through a proper stakeholder mapping process.





THE NEGOTIATOR GURU

Let's talk about IT Software Savings

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