

***Sales and the Art of War:  
Negotiating to Win***



**John Humphrey, Co-Founder**

## So you want to buy software?

### ***Begin with the End in Mind***

In general, a company must go through well-defined processes in order to get down to a competitive list of vendors. It is important for everyone involved to realize that the savings you get at the end comes from a well orchestrated process from the beginning. Nowhere else are Stephen Covey's words "begin with the end in mind" more relevant than in a technology or software selection. You have to define your strategy up front, before the first phone call, the first demo, the first introduction to your executives. In the end, the outcome is simple to describe, but very difficult to control or predict. The reason for this is that the company often loses control of the process and the sales individual is running around getting folks spun up, building alliances and support and trying to get the executives to give them the business without a fight.

### ***Strategy***

For brevity, we'll assume that you have gathered requirements, created a target technical architecture, gathered information about various vendors and are down to a short list of 3 – 5 vendors. *Then the fun begins.* Even if you have a preferred vendor, you need to treat everyone the same. Make sure you have plenty of time to make a decision or conduct your evaluation. Timing can be everything as companies tend to negotiate better at year end or quarter end, more so if they are publicly traded. Do your homework! Find out about the software company, "who is the sales manager?", "who is the sales representative?", not just their names, but details. Are they married, single, have any young kids? What part of town do they live in? What do they drive? How long have they been with the company? How are they doing for the year? How did they do last year? Did they go on a club trip? What is their comp plan like? How do they get paid? Are there accelerators to the plan? When do they kick in? Do they get paid on software only, or are maintenance and services included? Do they implement their own software? Who are their partners? Can you talk to references? What about a site visit? Can we go to corporate? (They'll see this as a buying sign.)

All of these questions and information need to be very carefully discovered as you are going through the process. Which companies usually compete against each other? What can they tell you about their competition? Has the rep exhibited the ability to "get things" from inside his company? Does he or she have power inside of their own organization? Is he or she a leader? If the answer is "no" to a lot of these questions around the capability of the sales rep, then you will probably need to bring in the sales manager to stay close to the process, especially if you think they are a finalist.

If we've learned one thing over the years, it is that most companies focus on the solution's features and functions instead of thinking down the road. They typically signal the vendor that they are winning and "we really like your software", and the sales rep's posture increases. As certainty for the vendor increases, your leverage decreases. You need to be focused on the end game. It is not that functionality is not important, it is very important, but we are assuming for this scenario that you know how to evaluate features and functions and by the time we get to the short list of 3 – 5 vendors, they all basically qualify.

### ***The Process***

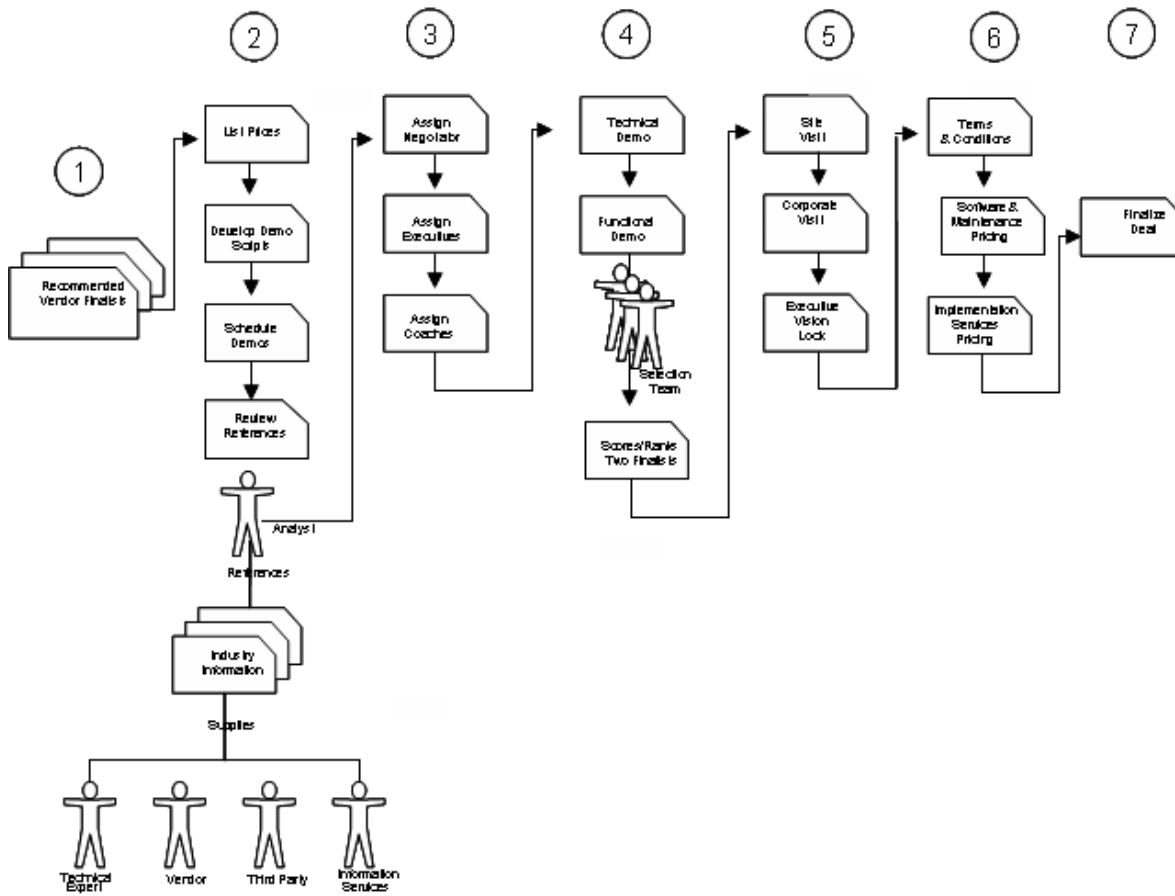
There are five basic steps in the software selection process.

1. Step One: Create or validate existing business and technical requirements – we are assuming that you can do this, but it is always helpful to have an independent 3<sup>rd</sup> party assist you.
2. Step Two: Create the list of vendors who can potentially address the specified business and technical requirements.

3. Step Three: The list is evaluated by applying the most restrictive criteria first to develop a list of **three to five vendors** for more in-depth research and qualification. For example, technical limitations or standards, willingness to partner, bundled vs. unbundled.
4. Step Four: The list is cut down further to **two (and no more than three) vendors** for site visits, client references and contract negotiations. Maximum benefits during the negotiation step occur when there is a very level playing field upon which to base the competition.
5. Step Five: The final stage defines a competitive negotiation process to acquire the best solution at the lowest cost. Most companies think that getting to the short list is the goal, and then you schedule demos and negotiate a contract. Don't lose sight that this is not only the most important step, but it is a process that you've been working towards the entire time.

The diagram below describes the negotiation process. Note that the negotiation process is different than the “software selection” process outline above.

### DEFINE NEGOTIATION PROCESS



Three vendors is usually the right number to take through the final demo process. You will have all kinds of consternation from those who don't make the final process, but stick to your guns. The key is that no single vendor knows that they are the preferred vendor. Having said that, know that in order to get their best, the vendors will need access to your people and individuals who will invariably develop personal preferences. The software vendor will attempt to develop relationships and a coach to help him navigate the process. We'll get to that, but beware of spies. You have many relationships with many vendors and the community of vendors is small so they will talk to each other. Developing a coach is the single greatest tactic the vendor sales person can accomplish inside your company to improve his chances of winning.

Sun Tzu would address it this way: *“What enables the wise sovereign and the good general to strike and conquer, and achieve things beyond the reach of ordinary men, is foreknowledge. Knowledge of the enemy's dispositions can only be obtained from other men. Spies are the most important element in war, because upon them depends and army's ability to move.”*

The negotiation process, while reasonably simple, is an orchestrated effort with many cast members playing roles. If you think it's easy, it's not. Everyone needs to stick to their role and be effective at orchestrating their part of the process. Our seven recommended steps are listed below.

1. Validate short list
2. Begin Due Diligence
3. Position for Influence
4. Complete Demonstrations
5. Obtain Vendor Visibility
6. Begin Contract Negotiations
7. Finalize Contract

First of all, most companies don't have a negotiation process. They think getting to the final two vendors is the hard part, and once completed, "someone else," usually the CFO or CIO is left to negotiate the software contract without the other cast members.

If they do have a negotiating process, it usually doesn't include key elements in the "position for influence" and "obtain vendor visibility." Why do we need to "position for influence" and "assign a coach"? The vendor will develop one if you don't assign one. It will also be helpful later in the process as a channel back to the vendor on some final terms and conditions. He will take that advice and leverage it inside his company to make sure he wins the deal. The other thing that buyers do is they over control the process. "Don't talk to anyone" they say or you'll be disqualified! If we are doing a transactional sale, that's fine, but our assumption is we are an extrinsic value or strategic value buyer and need the information that the vendor has to offer. Also, nobody knows more about their own competition than the software sales person. You can gain valuable information about the soft spots of a solution as well as find out about "non referenceable" accounts from the sales person. So to keep everyone interested, we need a coach for each vendor so we can maintain control of the process. It is also helpful to have executives build a relationship with a particular vendor so they feel their needs are being met.

If you go back to the solution selling process the three most important things a sales person can do are listed below.

- First, build a vision - a phase where they ask situation questions so they can begin to craft a vision of a solution.
- Second, get access to power - the part of the sales cycle where they can have access to power, CIO, CEO, CFO, COO.
- Third, develop a coach, who can be anyone who befriends them but is telling them regularly what is going on in regards to the deal.

Remember the weekly sales meetings? Sales and company management will ask the sales person "Have you met with the CFO?" and "Who is your coach?" and "Who is your competition?" The sales rep is getting asked these questions every week, and if you want to maintain control, you have to allow him to "check the box" and tell his management how great a job he or she is doing with your company. Otherwise you get unpredictable behavior.

The second major area that you need to orchestrate is obtaining vendor visibility. I'm amazed at how many companies buy software without checking references or going to the corporate locations. You fail to realize that these sales guys typically get pushed on to the next deal, and you are left to develop a new set of relationships inside the company. It is much easier to meet all of the key people before you sign the contract, rather than after. It also gives your executives "access to power" in case you have contract or implementation issues.



The key here is to build a partnership with the company and become their best fan. Many companies beat on the software company instead of making themselves important. If you align yourself with the sales organization through taking reference calls, hosting site visits, speaking at conferences and writing case studies, you can write your ticket. In later years, you will get some quid pro quo and it will be valuable. If you are important, they won't let you fail. This process begins before the demos of the software and continues into the visit to their corporate headquarters. It will be the best money you spend during a selection.

**Finally**

It is difficult in a white paper to describe the nuances that occur during a software selection process that lead to the company losing control of the process. Remember I'm not recommending "controlling" the process as in command and control. I'm talking about being more subtle and controlling the sales person's process by understanding what he is trying to do and then influencing his thinking. We are looking for leverage. If the sales rep has all the leverage, you pay list price. If you have the leverage and are patient, you will reap the benefits.

Some of these software contracts are millions of dollars so the stakes are quite high. If you execute this process the right way, you can probably save a significant amount of money and improve your organization's chances of long term success. Failure is very expensive both to the company and those associated with the purchase. The key is understanding the tactics being used and not underestimating the skills of the sales professional. There are some clear steps that we've outlined above, but it's mostly putting a process in place, and then making sure you execute the process and get the key people from your organization involved in improving your return on time invested.

**It really can be a win/win relationship, but it takes a lot of time and hard work to get there.**

*John Humphrey is the Co-Founder and Chairman of Pariveda Solutions, Inc. based in Dallas, Texas.*

\*\*\*\*\*

**About Pariveda Solutions, Inc.**

Pariveda Solutions (Pär-ē-vā-da) works with organizations to improve their profitability through the deployment of process and technology. Pariveda delivers solutions in the areas of IT Strategy, IT Executive Advisory services, Program and Project Management, Application Development, System Integration, CRM and Business Intelligence. Pariveda's goal is to establish relationships with clients on a local level, offer and deliver high value solutions.

Pariveda Solutions was ranked the 16th fastest growing company in the Dallas Business Journal's 2007 edition of the Dallas One Hundred, comprised of the 100 fastest-growing private companies in the DFW Metroplex. Pariveda Solutions was also recently named to the Dallas Business Journal's "Best Places to Work" for 2008 as well as one of Consulting Magazine's 7 "Small Jewels" for 2008. Launched and headquartered in Dallas, Texas, Pariveda Solutions has grown to over 150 employees since 2003. The company has additional offices located in Chicago, Denver, Detroit, Houston and Seattle.