



## Secrets, myths and traps of outsourcing negotiations

Successful negotiating in the technology outsourcing world requires recognizing the secrets, myths, and traps of negotiation. Once understood, uncovered and realized, negotiations become easier and the probability of success increases.

### **Myth: You'll find out everything you need to know about a vendor during the negotiation.**

Negotiations will allow more information about a vendor to be brought to light, but don't expect them to dish out everything you're going to want to know. Before sitting down at the bargaining table, it is essential to do a little homework and know a thing or two about the vendor on the other side of the table.

- **Know who they are.** Find out their strengths and their weaknesses. Who they've won and lost contracts with. Learning about a vendor provides insight.
- **Know which ones you use.** Create a master list of vendors currently used and used in the past. Knowing this master list can point to successful and unsuccessful relationships.
- **Know what you spend.** Before a negotiation can lead to lower costs, it is essential to know what you're spending on your vendors. After that knowledge is acquired, it will become possible to ask for a lower price.
- **Know why you use or want to use them.** There are motivating reasons to use certain vendors. Articulate these reasons.
- **Know why they want you.** Knowing your value offers you the perspective to see through the vendor's eyes. This view will offer negotiating power.
- **Know how to judge/measure them.** Bart Perkins has stated, "you get what you measure, not what is in the contract." Outline a metric system that can be used to judge the work and the goals.
- **Know where else you could go.** India is not the only option for outsourcing. Knowing other options allows for larger savings.

**Trap: Going with a vendor that only has the right price**

There are a few things to consider when it comes to getting the right price. Negotiations shouldn't just focus on the bottom line, but on how to get to the best bottom line.

- **Target price.** Have a target price in mind before and during negotiations. This allows the negotiator to gauge if they're getting a good deal.
- **Splitting the difference.** When trying to compromise and overcome middle ground, **NEVER** offer to split the difference. A good negotiator will be able to get the vendor to offer the suggestion to split the difference.
- **Bang for the buck.** If the vendor won't compromise on price, the negotiator should attempt to get more services for the same price.
- **Best Price.** The best price isn't always the lowest price. Don't sacrifice the quality of work or make a contract non profitable for the vendor.
- **Cash.** The ability to pay a vendor in cash might allow them the ability to offer you a lower price.

### **Negotiating Secret: Anyone can become a great negotiator!**

Becoming a great negotiator combines both natural skills and acquired talent. These nine points are necessary for every negotiator.

- **Kindness.** No one wants to negotiate with a bully. Master the skill of kindness and negotiations will build successful relationships.
- **Make the first offer.** Making the first offer allows the vendor to know your starting off point and forces them to suggest changes.
- **Don't be too quick to agree.** Saying yes to the first offer might keep a better offer off of the table.
- **Loss and benefits.** It is important for the vendor to sense a loss to not doing business with you as well as benefits to doing business with you.
- **Alternatives.** Vendors know that there are options and alternatives to doing business with them. Mentioning other options might make them improve their offer.
- **Be prepared to walk away.** This can be tricky and hard to do, but if the negotiator can project their willingness to walk away if they can't get the right deal, they will have more power in the negotiations.
- **Never lie.** Lying will taint every relationship it touches. A good negotiator will not ruin their reputation with a lie.
- **Patience.** Negotiations can be a long and time-consuming process. A patient negotiator will continue to work for what they want.
- **Silence.** During negotiations, silence is often feared. It can be interrupted as unhappiness or wanting to say no. Being silent can make the other side over talk and improve their offer.

About Rosewood Partners, LLC

Headquartered in a rural East Texas town, Rosewood Partners, LLC is a unique management consulting group that builds on its small town roots of loyalty, partnership and commitment. Its team is comprised of industry specialists with

centuries of combined practical hands on business experience in the areas of change management, operations management, off-site and staff augmentation services. Rosewood's leadership philosophy is drawn from actually having led teams located all over the world through corporate downsizing, merger and acquisition activities and everyday business operations.

With its down-to-earth small town roots Rosewood believes in keeping things simple. Real-life experience has granted its team members the ability to employ simplicity to solve real world business problems. The straightforward tasks that simplicity demands deliver the reward of constant and consistent results. It is this simplicity that drives Rosewood's OES methodology, Operational Excellence Simplified.