

Take No Prisoners!

A CIO'S GUIDE TO MASTERING NEGOTIATIONS

KNOW WHAT YOU NEED

You need a car, but you want a Ferrari. Let it slip that you want a Ferrari, and you'll pay for one, plus find out later that there's only one qualified Ferrari mechanic within 500 miles. To best determine what you really need (as opposed to want), create the business case for the solution you're in the market for before contacting vendors. You can always adjust your thinking as you go along, but if you know your needs, you'll always be clear about what you're negotiating for. And if you don't know your goals in advance, how will you ever recognize an acceptable compromise?

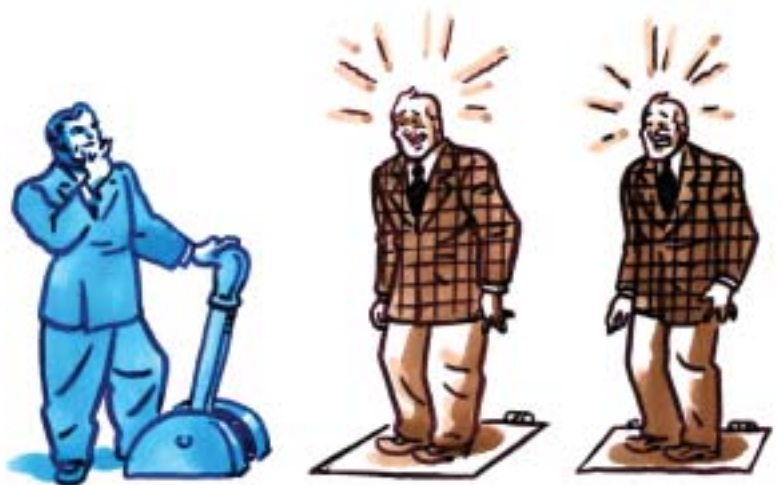


GET A LITTLE HELP

To do it right, build a team, and make sure everyone on the team knows their role throughout the negotiating process. Find a numbers person to assess ROI, especially someone who can evaluate the costs over the lifetime of a potential deal. Recruit someone who knows the vendors' marketplace, both their suppliers and competition—any companies that might affect the vendors' ability to deliver the goods. Get a techie involved (if it isn't you) to assess the underlying technology. (Beware of techies, too. Sometimes they want the Ferrari.) Most of all, attract a skilled negotiator, someone with real experience in your area. You don't have to know everything there is to know in a negotiation, but you need to know whom to ask—on your side of the bargaining table.

PLAY THE FIELD

Always negotiate with more than one vendor at a time, and don't keep this a secret from the other vendors. In fact, drop hints about the deals their rivals are offering. Seriously, if you have only one vendor in mind, you are not engaging in negotiating; you are engaged in creative begging. Make the vendors compete for your business and you'll always get a better deal.



KEEP 'EM GUESSING

Even as you down-select to one vendor, maintain negotiating leverage by telling your leading candidate things like "the deal is yours... if you make these changes," and then setting deadlines for your top pick to agree to those concessions. Any time you indicate a preference to a particular vendor without qualification, you squander your advantage.



CONTROL THE CLOCK

Set a timeline to do the deal. For one thing, vendors won't take you seriously if you don't. For another, if you set the deadlines, you can always revise them to force someone to jump. If anyone's going to make up the rules as the negotiation goes along, it's going to be you.



LOCK THE BACK DOOR

Your management needs to make sure it prevents any end-runs around the negotiating process. Prepare your company's management team to reinforce the message to the vendor that "you must deal only with the negotiating team." If a vendor chooses to ignore this message and tries to go over your head, he's gone.



FIND THE YES MAN

Make sure that the vendor sends you the people who can say "yes." Anyone can say "no," and negotiating with someone who can only say no is little better than (a) talking to yourself, or worse (b) negotiating against yourself.



KEEP IT SIMPLE

Make it easy for the members of your team, and, crucially, the ultimate decision makers at your firm, to understand the value of the deal you've negotiated. Establish self-rescoring the negotiations until the "right" vendor wins.) Track RFP replies on easy-to-read, single-page term sheets, and when you present your choice to your CEO, provide her with simple "stoplight" charts—green (yes), yellow (maybe), red (no). CEOs hate to read contracts and RFP replies. And, really, who can blame them?



BRING YOUR OWN

Vendor agreements are frequently little more than giant disclaimers. Only your documents will actually describe the deal that you want, and ensure you'll get what you pay for.

MORE TOOLS ONLINE

For a sample term sheet and a spotlight chart, go to www.cioinsight.com/whiteboard.

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