



## TenStep Supplemental Paper

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8 October 2007

### **Buddies!**

*Partnering with vendors yields high returns*

Training managers strive to maximize returns on every penny spent on training. Therefore, they need to strike the best deals with training vendors. Forging the best possible working relationship with training vendors enables organizations to ensure they optimally cater to their training needs.

#### **Choices to be made**

Most training managers assume that there are only two approaches to deal with vendors: "If I'm nice and focus on maintaining a good relationship with my vendor, that means I'll wind up making concessions and pay a higher price;" or "If I try to make sure I get the terms I want for my company, I'll have to play hardball and I might upset the vendor...and who knows what ramifications that will have in the classroom?" Of course, there is another way - negotiation.

#### **What about negotiation?**

Defining "negotiating position" and "negotiating interests" are the first steps in negotiating. Position is the demand made to the vendor. For example, "We will pay only \$10,000 per training session." Interest is the reason why the organization is in that position - for example, "The organization can budget only \$10,000 for training this year." A training manager is on the right track if he or she can identify his or her interest and position without confusing the two.

To further clarify the difference: Two children are arguing over who should eat the last orange. The mother intervenes and cuts the orange into two equal halves. While one child eats the fruit and throws the peel, the other throws the fruit and uses the peel for a cake she was baking. Though both the children 'positioned' their demand as, "I want the entire orange" their 'interests' varied. One wanted the fruit, the other the rind. Had the mother assessed their interests she would have found a better solution than dividing the orange into two halves.

Similarly, if the training vendor is appraised about the organizations' training needs, he or she is better positioned to offer creative solutions. However, sharing both interests and positions with the training vendor is possible only if there is a high degree of trust and faith.

#### **Don't walk away!**

When a training manager enters into a contract with a vendor, he or she stops thinking of alternatives (initiatives that the organization can take in the absence of a vendor). This might weaken his or her position during the negotiation. A manager must think of more alternatives. Organizations generally approach another (unknown) vendor or omit the training altogether. These are known as walk-away alternatives. What training managers



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should realize is that the more walk-away alternatives they have, the better their hand while negotiating.

Some viable walk-aways:

- Sending employees to train the trainer programs
- Sending top performers to open enrollment courses
- Developing and delivering of certain training topics in-house

While alternatives don't involve the vendor, the organization can also exercise options wherein the vendor plays a significant role.

### **Options!**

Training managers are often in a hurry to sign a deal the minute the terms are finalized. In their haste they often fail to explore the possibilities of value addition to the existing contract. A question both parties should ask before entering into a contract is, "What else can I do for the vendor for a little cost that can be of great value to the organization?" For instance, a vendor can recommend other vendors, low budget courses and accessible training facilities besides arranging meetings with training and development professionals. For its part, the organization can introduce the vendor to prospective clients.

### **Be smart**

When an organization invests in heavy machinery, it converses with other buyers and surveys the prevailing market prices. But most training negotiations are without references, yardsticks or standards of legitimacy. For instance, an organization identifies a vendor who offers courses it wants to introduce. However, the course charges are rather steep.

Had the organization adopted an objective approach and conducted surveys and data points it could have said, "While we are impressed with your course, we'd like to know how you have come up with your fee structure? After a researching we have found that the market price for the particular course is much less. Could you tell us why your course is priced higher than the industry average? This would put us in a better position to decide."

Every vendor has its own reasons for charging differently from competitors. Knowledge of those reasons would help the organization make better decisions. In this case the vendor was charging more since travel costs were included. This approach to a vendor is different from haggling.

Unfortunately, most negotiations are measured for success by how much the opposition was made to move from its initial stance. In the above example, with a haggling approach, the manager would have forced the vendor to bring down his training costs by a couple of thousand dollars. But by using the 'objectives' approach the manager might discover that the discounted rates are still higher compared to the other alternatives.



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### **Identify the best**

Identifying a good vendor ensures a fair deal and smooth supplier-buyer relations. A good vendor fully understands the 'context' of the organization. He or she takes into account its mission, values, culture and environment. As every organization is founded on the interrelationship of its people and processes, the vendor must have a holistic perspective of the organization. This helps accommodate different learning styles while designing training modules. Above all, the vendor should be trustworthy.

### **Toward better negotiations**

While everything is negotiable, negotiation strategies vary. The better the preparation for the negotiation, the more beneficial the outcome generally becomes.

- Both parties should identify their underlying interests and lay minimal emphasis on their positions (with an assumption that either may be wrong). It is a good idea to try and guess the negotiating counterparts' interests.
- Generate as many options based on these implied interests and prepare a negotiating brief based on the interests.
- It is best to ask what the counterpart's interests are when seated across the negotiating table. At this point it is inappropriate to continue with the guesswork!
- When the counterpart expresses his or her interests, be prepared to put forth viable options.
- The best way to begin a negotiating dialogue is with common interests. It won't put the opposition on the defense and helps build a rapport.
- From the common interests, move to the differing ones and use a standard of legitimacy and references to resolve them.
- Gradually throw in more options to enhance the deal.

Happy negotiations!