



Customer Supplier Negotiation Study

2009

vantage partners

In partnership with



THE CONFERENCE BOARD





Negotiation Study Team

Study Authors

- Jonathan Hughes — Partner, Vantage Partners
- Elizabeth Rayer — Partner, Vantage Partners
- Mark Gordon — Partner, Vantage Partners

Study Advisor

- Norbert J. Ore — Chair, Manufacturing Business Survey, Institute for Supply Management

Study Research Team

- Jessica Wadd — Principal, Vantage Partners
- Ben Siddall — Principal, Vantage Partners
- Matt Joyce — Research Assistant, Vantage Partners

* To contact the authors, call Vantage Partners at +1 617 904-7800 or e-mail jhughes@vantagepartners.com and lrayer@vantagepartners.com.

About the study

Methodology overview..... 1
Part I: Demographics..... 3

Outline of findings

Part II: Negotiation outcomes & results 11
Part III: Negotiation dynamics between customers & suppliers 19
Part IV: Negotiation practices & capabilities 43

Appendices

Appendix A: Statistical measures not shown in charts 61
Appendix B: About Vantage Partners and collaborating organizations..... 63

Methodology overview

- Survey of buy-side executives, managers, and professionals (524 individual responses, representing at least 421 companies*).
- Survey of sell-side executives, managers, and professionals (223 individual responses, representing at least 170 companies*).
- Surveys distributed in partnership with The Conference Board, Institute for Supply Management (ISM), the International Association of Contract and Commercial Management (IACCM), and Sales and Marketing Executives International (SMEI).
- For comparison purposes, all responses were categorized into one of 25 industry groups outlined in the following section.
- Interviews were conducted with 50 respondents representing a cross-section of individuals in buy-side and sell-side roles across multiple industries, geographic regions, and comparing a mix of high and low performers (in terms of self-reported negotiation success).
- After-action reviews of 45 negotiations were conducted.
- Statistical correlation analyses using Spearman's rho were conducted on the data. The statistical analyses in this report do not confirm causal relationships between any specific variables and outcomes (though in some cases they are suggestive of a causal connection).
- Specific Spearman's rho values for the correlations shown may be found in the appendix. Below is a guide to understanding how they were interpreted in this study:

Spearman's rho value	Interpretation
0 – (±) 0.2	No correlation
(±) 0.2 – (±) 0.4	Low correlation
(±) 0.4 – (±) 0.6	Moderate correlation
(±) 0.6 – (±) 0.8	Significant correlation
(±) 0.8 – (±) 1.0	High correlation

* Note: 21% of respondents did not disclose company.



Part I Demographics



Participant demographics — Overview

- 524 buy-side respondents; at least 421 companies represented*
 - 42% executives**
 - 25% managers**
 - 27% professional/individual contributors**

- 223 sell-side respondents; at least 170 companies represented*
 - 48% executives**
 - 15% managers**
 - 30% professional/individual contributors**

* Note: 21% of respondents did not disclose company.

**Note: <1% of respondents did not disclose title.

Geographic representation of participating companies

Australia	Ireland	Russian Federation
Bangladesh	Israel	Saudi Arabia
Belgium	Italy	Singapore
Bermuda	Jamaica	South Africa
Brazil	Japan	Sri Lanka
Bulgaria	Republic of Korea	Switzerland
Canada	Lebanon	Taiwan
Chile	Mexico	Thailand
China	Netherlands	United Arab Emirates
Denmark	New Zealand	Ukraine
France	Nigeria	United Kingdom
Germany	Norway	United States of America
Iceland	Qatar	West Indies
India	Romania	

Participating companies

The following are companies that granted us permission to acknowledge them:

A La Carte Event Pavilion	Can!BTL Marketing	Eaton
Accenture	Cephalon	EDH Marketing
Aetna	Chevron	Empire Theaters
Agilent Technologies	CIRCOR	EPCO
AGL Resources	Cisco Systems	Eskom
Air Products and Chemicals	City of Las Vegas	Exel
Alcoa	City of Miami Beach	Fairchild Semiconductor
Anchorage Neighborhood Health	Clarcor	Federal Signal
Avaya	Commonwealth of Pennsylvania	FMC Technologies
AXA Advisors	Countrywide Financial	Fujitsu
Bank of America	Credit Suisse	GBC
Boral Industries	Cummins Power Generation	GE Energy
Brinks Home Security	Deloitte Consulting	GE Healthcare
British Petroleum	Delta Airlines	GE Transportation Systems
British Columbia Institute of Technology	Ducommun	Gehl Company
British Sky Broadcasting	E & I Purchasing Cooperative	General Dynamics SATCOM Technologies
Buckskin Mining Company	E.ON U.S. Services	Genzyme

* Note: 21% of respondents did not disclose company.

Participating companies (continued)

The following are companies that granted us permission to acknowledge them:

GKR Consulting	Interpublic Group of Companies	Minneapolis Public Schools
Growth Dynamics	Itron	Mount Union College
Hayslette & Associates	JBS	Mine Safety Appliances
Healthcare Procurement Solutions	Kalypsys	National Gypsum
HealthCare Solutions Bureau	Ken-Tool	National Oil Well Varco
Henkel	Kraft Foods	Nestle
Hewlett Packard	LaRosa's	North Pole Ltd
Hilco Mortgage	Las Vegas Valley Water District	Northrop Grumman
Hilti	LegalBase Outsourcing	Northstar Sales and Service
Hitachi	Leon's Furniture	Novartis
IBM	Linde Engineering	Novo Nordisk
Indianapolis Power & Light Company	Lovejoy	O2
ING	LyondellBasell Industries	OfficeMax
Ingersoll Rand Trane	Manitoba Hydro	Parker Hannifin, Chomerics Division
Intergraph	Manitowoc Crane Care	Pentair
International Air Transport Association	Missile Defense Agency	Petro-Canada

* Note: 21% of respondents did not disclose company.

Participating companies (continued)

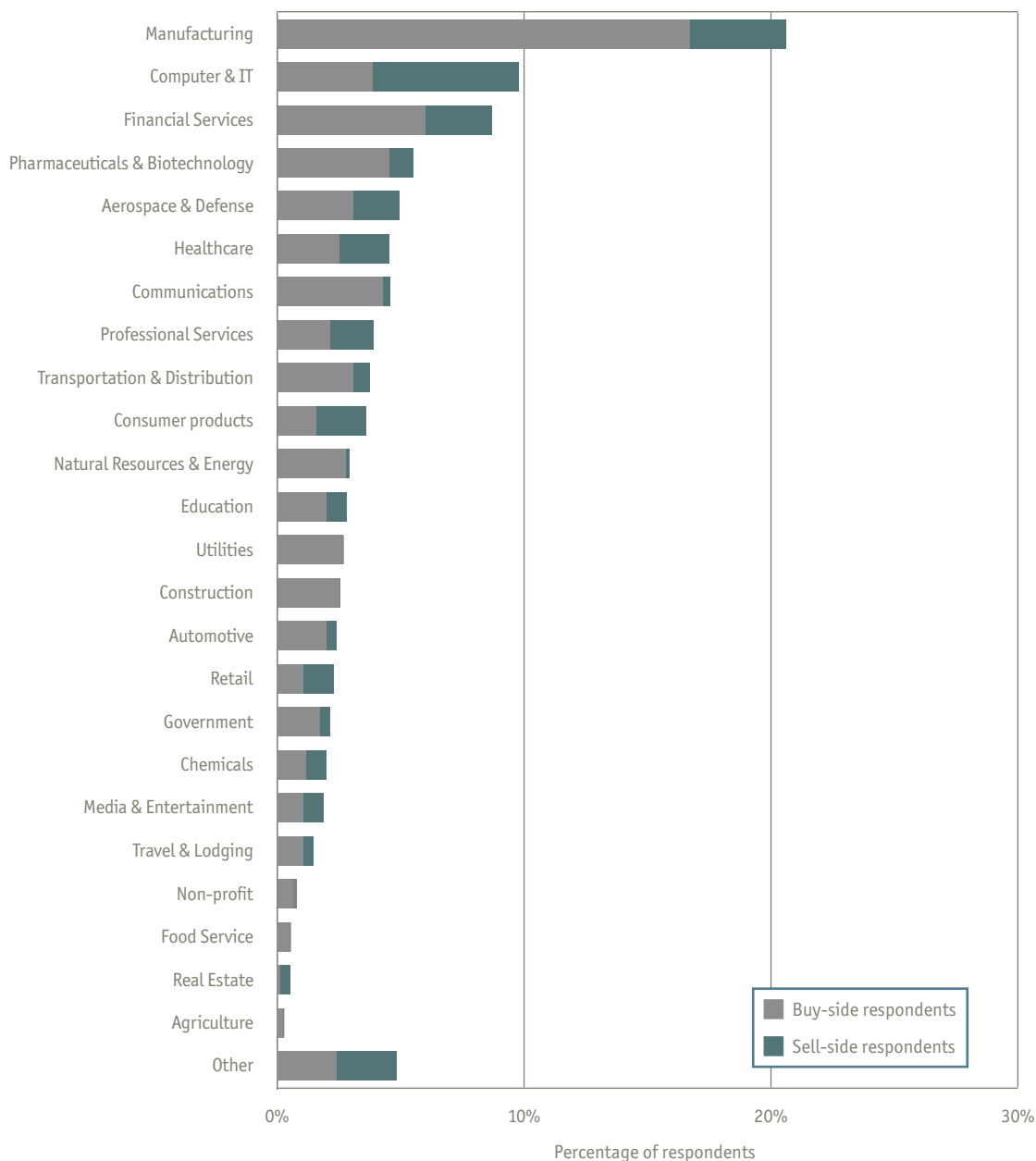
The following are companies that granted us permission to acknowledge them:

Plantronics	Siemens AG	The Jay Group
Primoris Group International	Southern Living at Home	The South Financial Group
Quest Environmental & Safety Products	Spansion	The TriZetto Group
Raytheon	State of California, Department of General Services	Tindall
Recall	State of NJ, Division of Purchase and Property	Sun Microsystems
Rexnord	Stevense Professional Trainers	The Chefs Warehouse
Rockwell Automation	VSE Corporation	Watchguard Technologies
Rolls-Royce Energy Systems	Wal-Mart	Weston Solutions
RxSales International	Whirlpool	Xentio
SAE International	Washington Mutual	Xerox
SAIC	Transformational Savings Experts	YMCA of Metropolitan Little Rock
SAP	University of California	YORK Label
Scottish & Newcastle	Upside Software	Zurn
Shaw Energy & Chemicals	US Postal Service	
Showhomes	Valpak of Hawaii	

* Note: 21% of respondents did not disclose company.

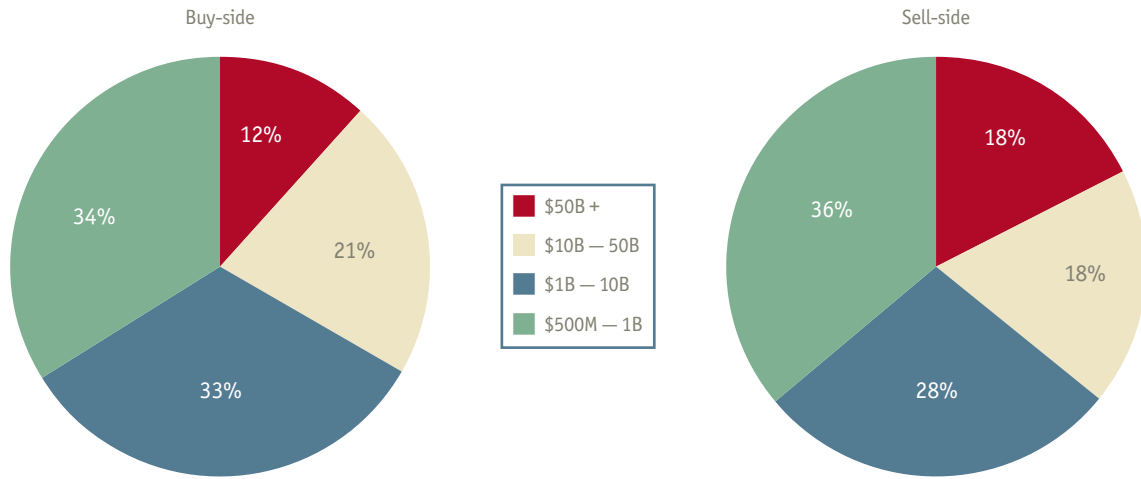
Participant demographics — Industries

Distribution of participants by industry



Size (in annual turnover) of participating companies

Distribution of participating companies by annual revenue/turnover (normalized to US dollars)





Part II

Negotiation outcomes & results



“Negotiating deals with suppliers is hard enough, but frankly, that’s the easy part. The hard part is implementing those deals.”

— Director of Supply Chain Management, Electronics Sector

“Currently, we’re negotiating a major deal where the full implementation team is working with us during the bid process and is in front of the customer. I learned a painful lesson when we signed a deal and the project manager wasn’t on board until the end. When things got hard, he tended to side-step and said, ‘I wasn’t involved in the negotiations.’”

— Director of Sales, Telecommunications Company

“There are a lot of promises made that turn out to be erroneous to the point where you have to query whether this was deliberate. That is a huge barrier to realizing benefit.”

— Senior Commercial Lawyer, Financial Services

“Customers love to say, ‘We have X volume as an enticement’ when it’s not real. When you make decisions and invest to meet that and it doesn’t happen, you have wasted capital that you can’t recover.”

— VP Contracts Administration, Print Services

“If you say you’re going to buy 1,000 units, and you buy 100, that’s an issue. And so is timeframe — if it’s 1,000 in 12 or 18 months instead of 6 months, that doesn’t go over well.”

— Supply Chain Manager, Natural Resources & Energy Company

Both customers and suppliers are dissatisfied with the value they realize during contract implementation

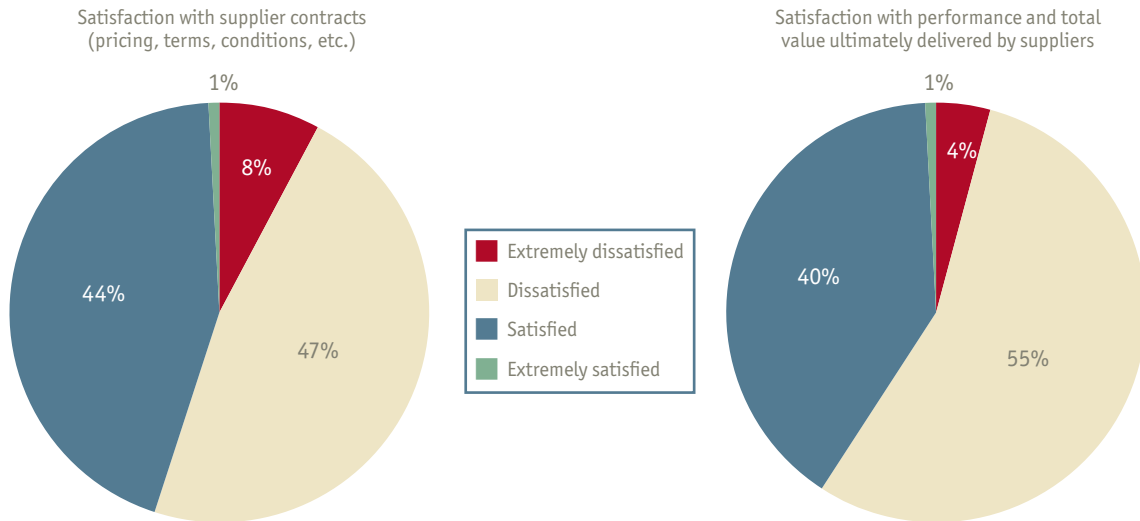
- Both buy-side and sell-side study participants reported that a significant amount of potential contract value isn’t realized during implementation. Not surprisingly, customers grade their suppliers more harshly than suppliers grade themselves. On average, customers reported realizing only 54% of expected or potential contract value during implementation, while suppliers reported delivering 66% of potential contract value to their customers.
- On its face, it is surprising that suppliers would report delivering so much less than the full potential value of their agreements with customers. Conversations with sell-side executives and professionals reveal that indeed, suppliers themselves are often significantly dissatisfied with the value they deliver to customers — and that they blame their customers to a large degree. Reasons cited by suppliers include: customers failing to provide timely access to information suppliers need to deliver on contracted agreements; customers failing to meet their obligations to provide staff and resources needed to successfully implement agreements; customers changing specifications and requirements; and customers failing to meet contracted commitments for volume of business.

Key areas of “value leakage”

For Customers	For Suppliers
<ul style="list-style-type: none"> ■ Expected innovation does not materialize ■ Scope changes lead to additional costs ■ Off-contract purchasing undermines expected savings ■ Project delays due to supplier ■ Quality problems 	<ul style="list-style-type: none"> ■ Expected volumes do not materialize ■ Changes in requirements lead to increased & unrecoverable costs ■ Customers do not provide committed resources ■ Project delays due to customers

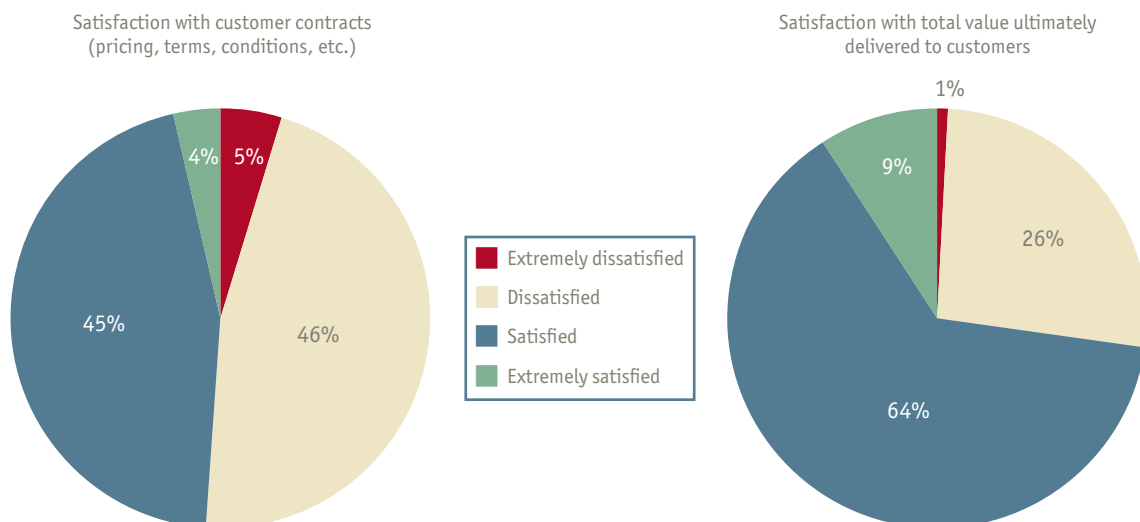
Buy-side satisfaction with supplier contracts and with performance and total value ultimately delivered by suppliers

Graph 1



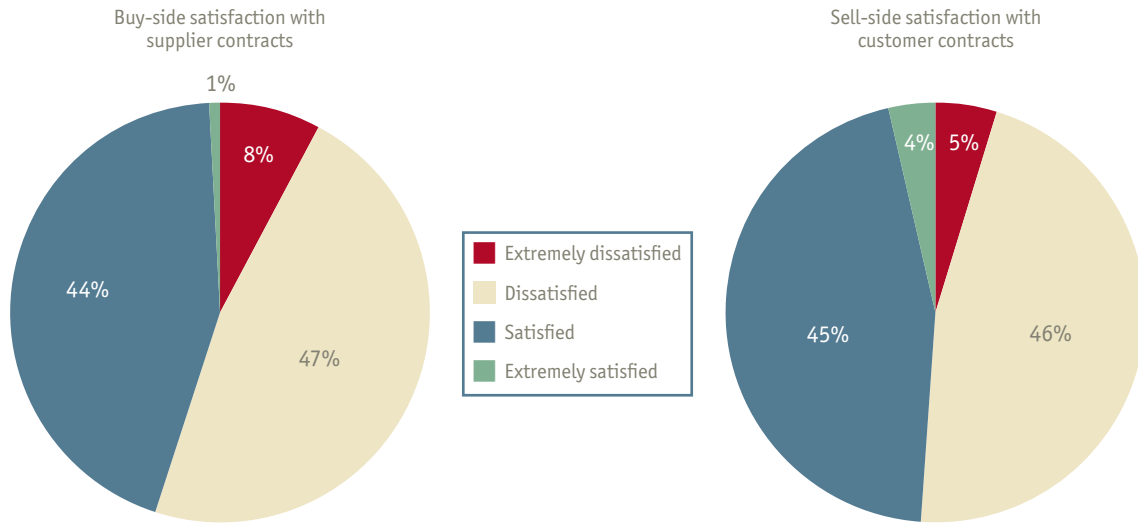
Sell-side satisfaction with customer contracts and total value ultimately delivered to customers

Graph 2



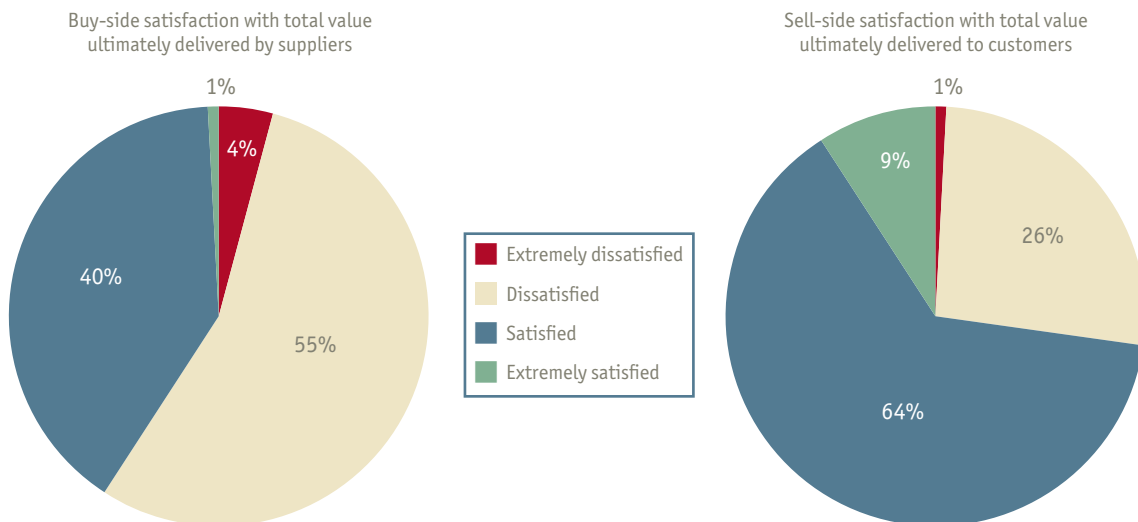
Buy-side versus sell-side satisfaction with contracts (pricing, terms and conditions)

Graph 3



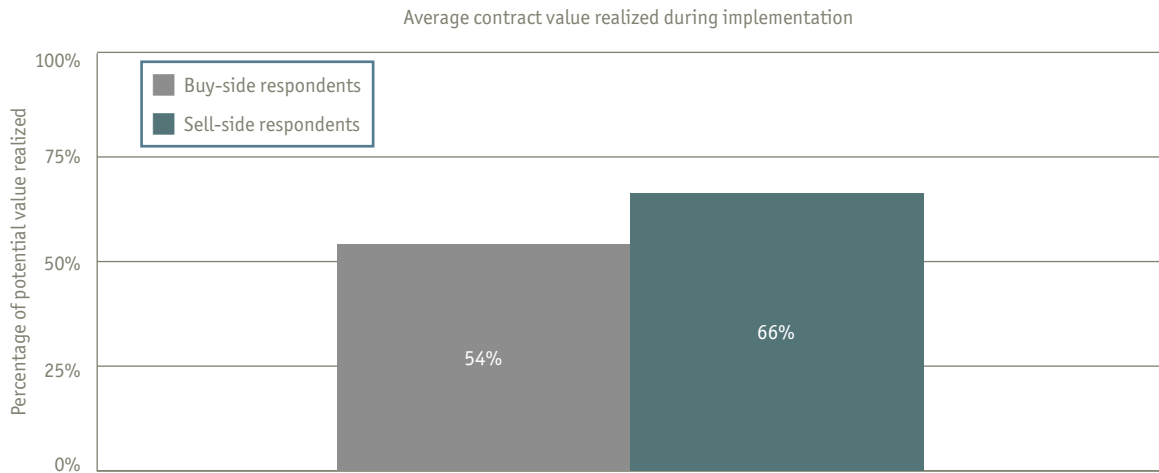
Buy-side versus sell-side satisfaction with total value ultimately delivered by suppliers

Graph 4



Buy-side versus sell-side perceptions of percentage of total contract value realized during implementation

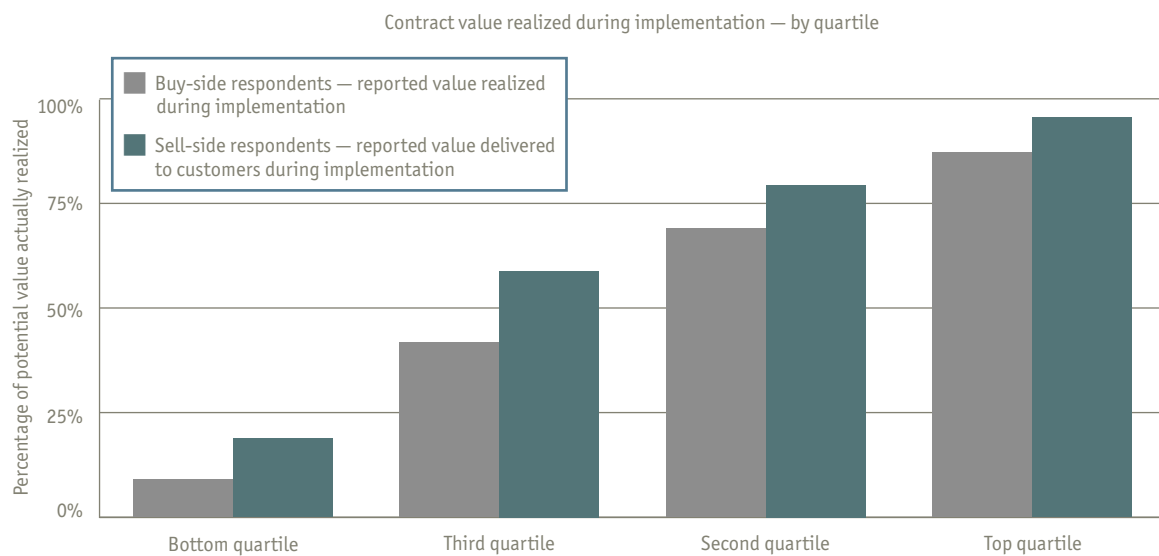
Graph 5



Buy-side respondents were asked to estimate the average % of total potential contract value realized across all their supplier contracts. Sell-side respondents were asked to estimate the average % of total potential contract value actually delivered by their company to their customers during contract implementation. The chart represents the averages of these responses.

Buy-side versus sell-side perceptions of percentage of total contract value realized during implementation

Graph 6



“Often, contracts are put in place and then there is no one managing them. They are short-term price-busters rather than focused on long-term value. And, 18 months or two years later they have disintegrated...”

— Procurement Consultant, Natural Resources & Energy

“We do all sorts of great research and analysis as part of our strategic sourcing methodology, but we don’t really know what to do with it. In the end, we just end up collecting and comparing bids, and then having very tactical negotiations over contract terms. We’re not fundamentally changing the game with our suppliers, and we need to.”

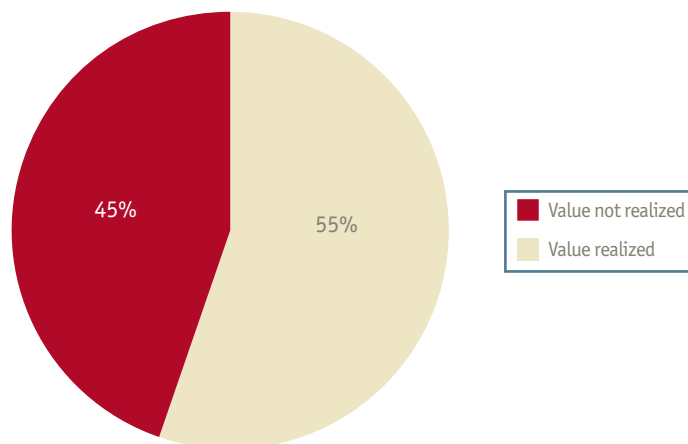
— Director of Strategic Sourcing, Petrochemicals

Strategic sourcing efforts often fail to deliver expected results

- While strategic sourcing initiatives have helped many companies reduce costs and improve supplier performance, a significant portion (on average, 45%) of the value expected to result from strategic sourcing efforts goes unrealized. Interviews with buy-side respondents overwhelmingly suggest that common strategic sourcing activities like spend and market analysis, RFX processes, and competitive bidding are valuable, but not sufficient to enable sourcing teams to meet their targets. Most interviewees directly involved in strategic sourcing events and purchasing reported actual negotiations with suppliers are often the most challenging part of strategic sourcing.
- There are many reasons for the reported gap between value targeted and value realized from strategic sourcing. In some cases, study participants pointed to sourcing targets that were unrealistic. Far more often though, they blamed challenges that arose in actually negotiating contracts with suppliers, and problems that arose working with suppliers after contracts were signed. Often, challenges negotiating and implementing contracts with suppliers were exacerbated by challenges gaining alignment on negotiation goals, strategy, and roles with internal business partners.

Percentage of value targeted through strategic sourcing that has actually been realized

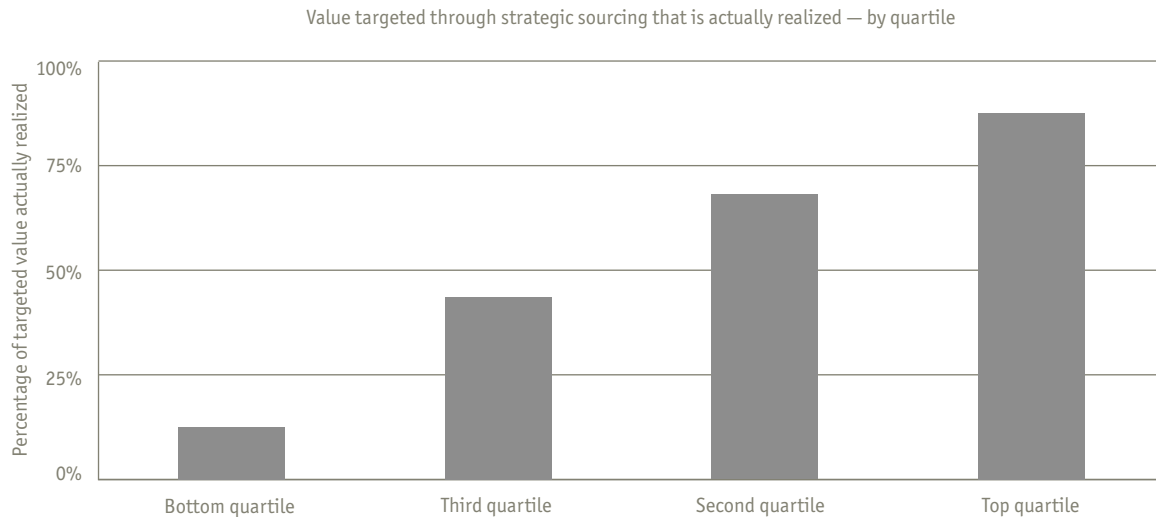
Graph 7



Buy-side respondents were asked to estimate the percentage of value targeted through strategic sourcing that is actually realized. The chart represents the average of these responses.

Percentage of value targeted through strategic sourcing that has actually been realized

Graph 8



Many procurement organizations have become overly reliant on competitive bidding

- Many procurement organizations and professionals acknowledge that they have become overly reliant on competitive bidding as a strategy to reduce costs and motivate suppliers to deliver (or promise to deliver) lower costs and better performance and value. When confronting situations where competitive pressure is of limited utility (single and sole source suppliers, high switching costs, suppliers who are already operating a relatively lean business and who are themselves under significant financial pressure), buyers often feel like they have little ability to achieve savings or capture additional value from supply contracts. Results from the study mirror our experience that most organizations have, by now, realized gains from relatively low-hanging fruit such as consolidation of spend and introduction of basic competitive bidding techniques, and are now focused on developing more sophisticated negotiation and supply chain management strategies and capabilities.

“In the past, our department followed a traditional bidding process and over time there was no creativity. When we began using a new sourcing process, we saved \$100 million on the first 10 projects.”

— Former CPO, State Government



Part III

Negotiation dynamics between customers & suppliers



“I used to work for an international company where the policy was, just grind a supplier down to where they couldn’t make a dime and then... change the T&Cs! As a result, our suppliers would dump us whenever they had the chance, so the organization had to constantly deal with disruption and panic.”

— Strategic Sourcing Manager, Insurance Company

“My philosophy is that if it’s a good agreement for everyone, the agreement is going to survive and you won’t have to renegotiate. I’m not saying give away the farm. But, if the other side has an incentive to do what you want, things get done.”

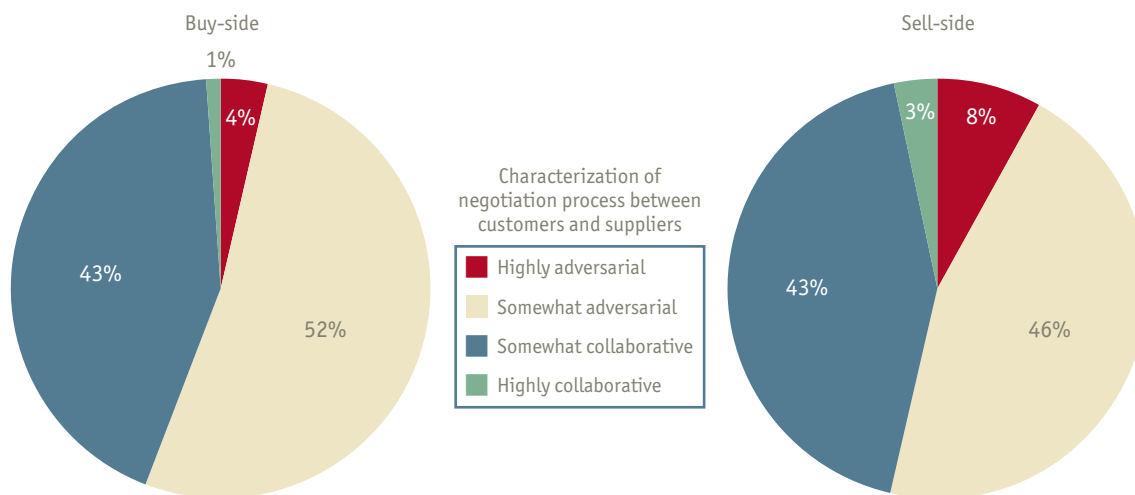
— Strategic Sourcing Manager, Professional Services

Negotiation is generally seen as an adversarial process

- More than 80% of buy-side and sell-side respondents perceive negotiations to be highly or somewhat adversarial. Given that virtually all the contracts that result from such negotiations lead to an ongoing business relationship in which both sides need to work together, this is a damning statistic.
- Interviews and case study analysis bear out the intuitive proposition that adversarial negotiations lead to significant challenges in contract implementation. Companies and individuals who believe their trading partner took advantage of them (or tried to) during negotiations tend to operate defensively, are reluctant to share information, focus on contract compliance rather than ensuring successful outcomes for their business partner, and in more extreme cases, actively look to make up for perceived losses (“even the score”) during contract execution.

Nature of negotiation process between customers and suppliers: Collaborative versus adversarial

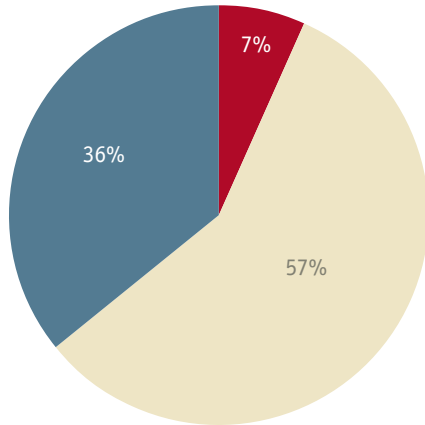
Graph 9



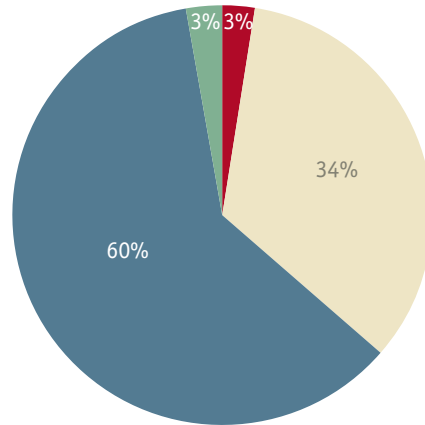
A collaborative negotiation process is correlated with greater value from strategic sourcing — per buy-side

Graph 10

Bottom 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized



Top 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized



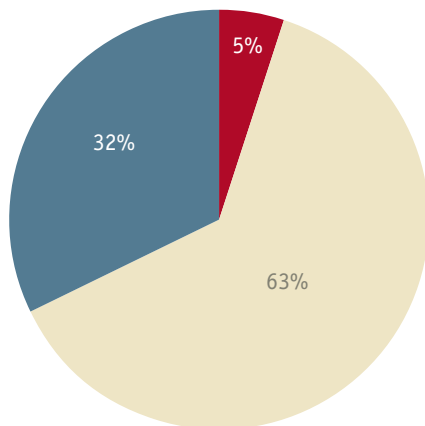
Buy-side characterization of negotiation process with suppliers

- Highly adversarial
- Somewhat adversarial
- Somewhat collaborative
- Highly collaborative

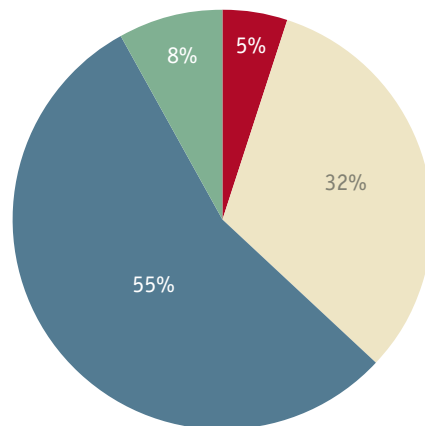
A collaborative negotiation process is correlated with more value delivered during implementation — per sell-side

Graph 11

Bottom 10% of sell-side respondents in percentage of total contract value delivered to customers during contract implementation



Top 10% of sell-side respondents in percentage of total contract value delivered to customers during contract implementation



Sell-side characterization of negotiation process with customers

- Highly adversarial
- Somewhat adversarial
- Somewhat collaborative
- Highly collaborative

“I’ve known sales people who think they’re top in their industry and they’re really aggressive. They maximize their short-term gain, but they lose out in the long-term.”

— Contracts Manager, IT Hardware Company

“Many customers try to drive one-sided deals and, in doing so, I think they really miss the benefit of collaboration. Our mindset is that if a customer is trying to drive that kind of bargain, we need to dig in and protect ourselves. I don’t think they get value from their contracts. The customers who come to us and say, ‘We’re having this problem and we need to find a low-cost solution; can we work together on this?’ are the ones who achieve their goals.”

— VP Contract Administration, Logistics Solution Provider

“We’re reopening some contracts on the basis of mutual benefits — not the traditional beat them down and clean their pockets. We’re bringing suppliers in for a workshop. We ask them: ‘Are we doing this right? Is there another way? Can we change something to reduce cost without reducing your margin?’”

— Strategic Sourcing Manager, Transportation Sector

“With customers who treat us like a partner, we will go the extra mile. I don’t care how low the revenue is today — I know there is future potential to build that business. We also have customers who think that because they spend a lot with us they’re entitled to treat us poorly. I’m happy to take their money, but I know there’s no commitment, no long-term future there, so I don’t invest.”

— SVP Sales, Professional Services

A collaborative approach to negotiations leads to better results

- On both the buy-side and sell-side, organizations that report employing a collaborative (versus adversarial) approach to negotiations are merely satisfied with their negotiated agreements, and with the value realized from those agreements during implementation. Of the top 10% of participants in terms of self-reported value realized during contract implementation, more than 60% characterized their negotiations as somewhat or highly collaborative.
- Those employing a collaborative negotiation approach report more positive working relations with trading partners, fewer unexpected problems during contract implementation, and a far greater ability to effectively and efficiently work through problems that do arise.

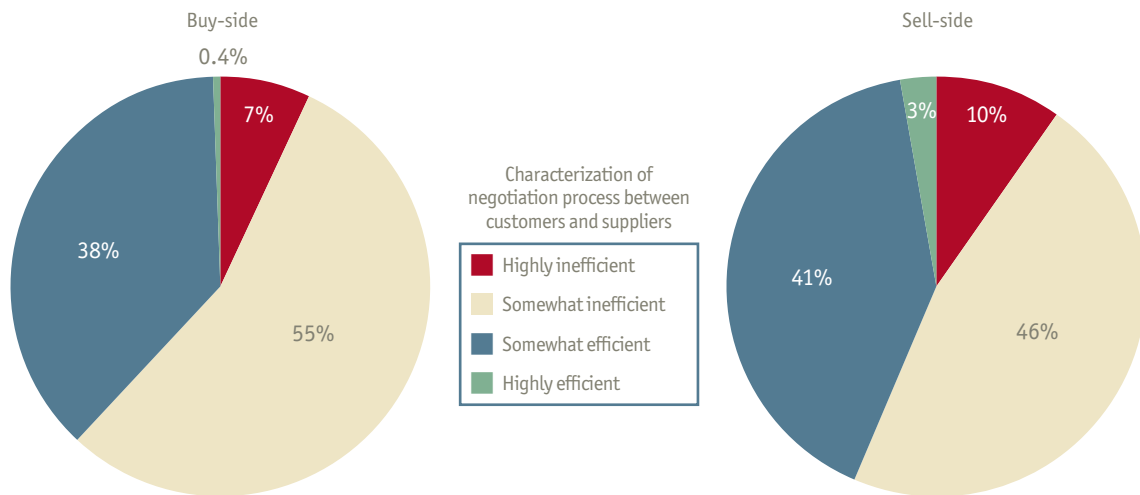
A collaborative approach to negotiations doesn’t mean being “soft” or “giving in”

- Interviews with high performers reveal an ability to negotiate assertively and collaboratively (both in the sense of treating individual counterparts with a high degree of respect, and in the sense of actively searching out mutually beneficial solutions) at the same time. Average and low performers overwhelmingly perceive a debilitating zero-sum trade-off between being assertive and being collaborative.
- Similarly, top performing buy-side organizations balance the use of competitive evaluation or bidding strategies with negotiation strategies and approaches that are highly collaborative (i.e., focused on fair and sustainable outcomes for both sides, and with an emphasis on joint development of creative and mutually beneficial solutions).
- On the sell-side, respondents from high-performing organizations report increasingly systematic efforts to invest in customers who are willing and able to act as collaborative business partners (irrespective of current revenue levels), and to limit or sever ties with customers who are not. Top sell-side performers describe consciously assigning their “A-level” delivery teams to customers who work with them in a collaborative fashion, and bringing new technology and innovative solutions to these customers as well.
- Low-performers on the sell-side acknowledge that they are prone to give the most on price and terms to customers who are most aggressive during negotiations. However, our analysis indicates that, across the board, suppliers deliver significantly more value during contract implementation to customers who deal with them on a collaborative basis.

Bottom 10% of buy-side respondents in percentage of value targeted through strategic sourcing that is actually realized	Top 10% of buy-side respondents in percentage of value targeted through strategic sourcing that is actually realized
Degree of collaboration	
Reported that 64% of their negotiations were “highly adversarial” or “somewhat adversarial”	Reported that 63% of their negotiations were “highly collaborative” or “somewhat collaborative”
Degree of efficiency	
Reported that 81% of their negotiations were “highly inefficient” or “somewhat inefficient”	Reported that 60% of their negotiations were “highly efficient” or “somewhat efficient”
Degree of structure and predictability of outcomes	
Reported that 69% of their negotiations were “highly unstructured; very unpredictable outcomes” or “somewhat unstructured; somewhat unpredictable outcomes”	Reported that 67% of their negotiations were “highly structured; very predictable outcomes” or “somewhat structured; somewhat predictable outcomes”

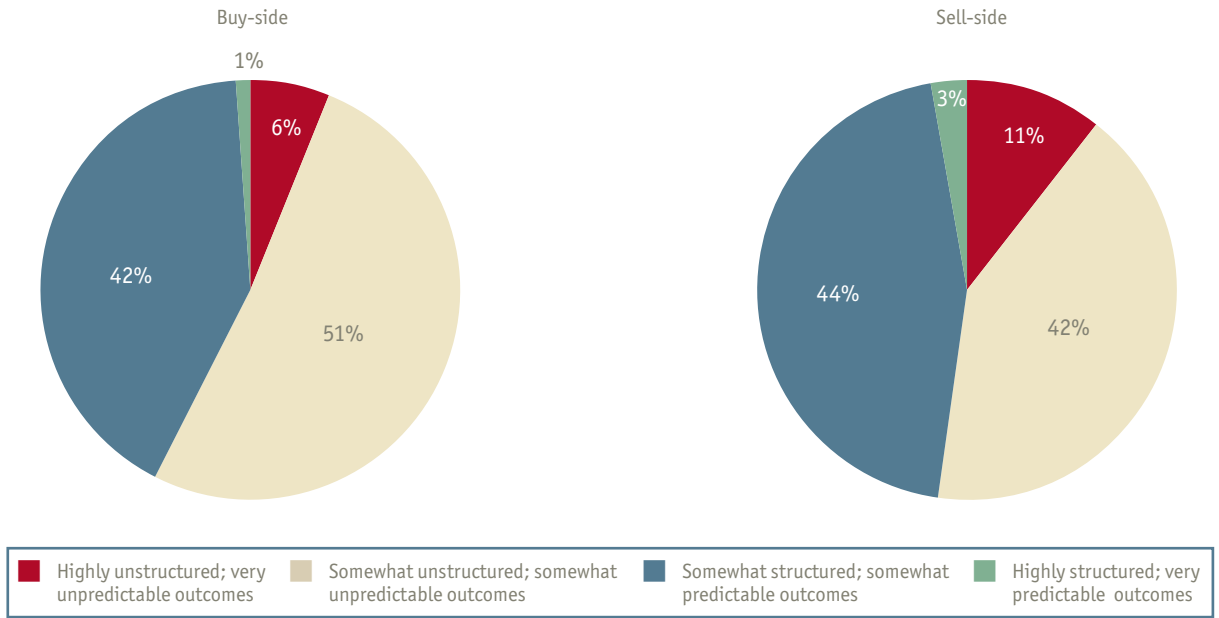
Nature of negotiation process between customers and suppliers: Degree of efficiency

Graph 12



Nature of negotiation process between customers and suppliers: Degree of structure & predictability of outcomes

Graph 13

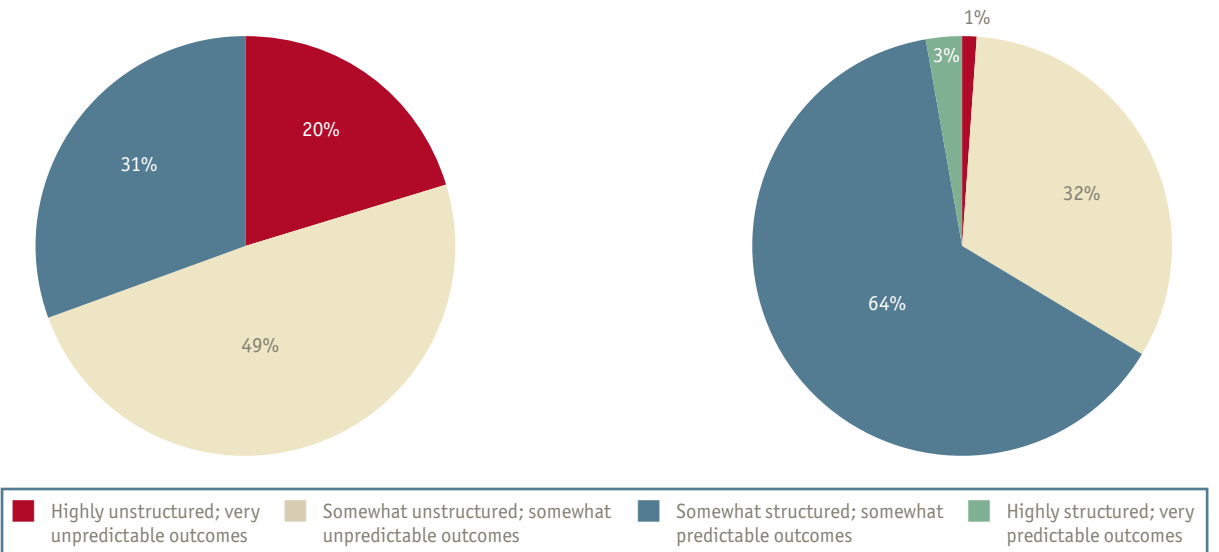


Structured and predictable negotiations are correlated with realization of greater value from strategic sourcing

Graph 14

Bottom 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized

Top 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized



Leverage is largely a matter of perception

- More than 75% of all buy-side and sell-side respondents believe the other side has more leverage during negotiations than they do. The apparently contradictory nature of these findings supports the notion that relative leverage in a negotiation is about perception. Most negotiators consistently overestimate their counterpart's willingness and ability to walk away, while underestimating their own ability to do so, as well as their own ability to influence the other side.
- Structural negotiation factors (marketplace supply relative to demand, proprietary technology, etc.) have far less impact on perceptions of power and leverage in negotiation than effective preparation.
- High-performing organizations tend to systematically assess leverage from multiple angles as part of the development and execution of formal negotiation strategies. They avoid the common mistake of assuming that because it would be painful for them to walk away from a potential deal, it would necessarily be easy or painless for the other side to do so.
- More significantly, while top performers do not ignore questions of leverage, they think about negotiation power in a more robust, and less zero-sum, fashion. For example, understanding a trading partner's business model and strategy is frequently cited by top performers as a critical source of power in negotiations — such knowledge can be used to develop creative solutions or identify efficient trades that help both sides achieve their goals.

"I do not know that we have found a good way around the whole leverage equation other than the tried and true method of making the pie bigger for everybody, looking at future opportunities, and taking a longer term view."

— Procurement Director, Consumer Health Care Company

"Leverage is not only based on money, it can be technical things, sharing, or working on a project that benefits both companies from a strategic standpoint."

— Procurement Consultant, Natural Resources & Energy

"We sometimes work with [suppliers that have] significant leverage, in that they know more about our business than we do, or about the technology and business solutions. They know us better than we know ourselves."

— Director of Corporate Procurement, Clinical Research Organization

"In terms of leverage, I try to talk about what is fair, 'What happens if this occurs and would you be able to fine your own internal departments for missing this type of deliverable?'"

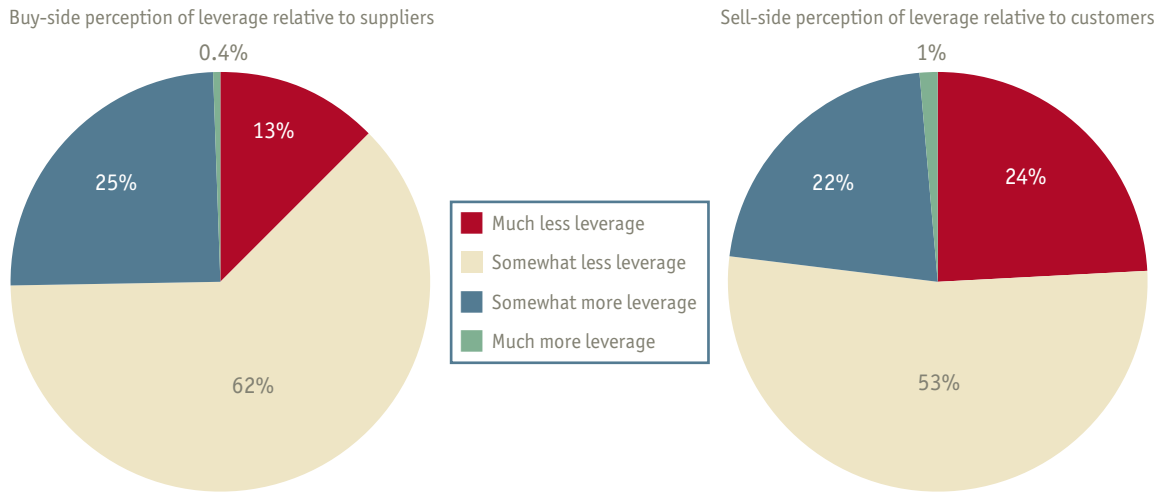
— Director of Sales, Telecommunications

"Customers figure out that at the close of the quarter, I always come down on my price [because of pressure from my managers]."

— Business Development Manager, Financial Services

Buy-side and sell-side perceptions of relative leverage in negotiations

Graph 15

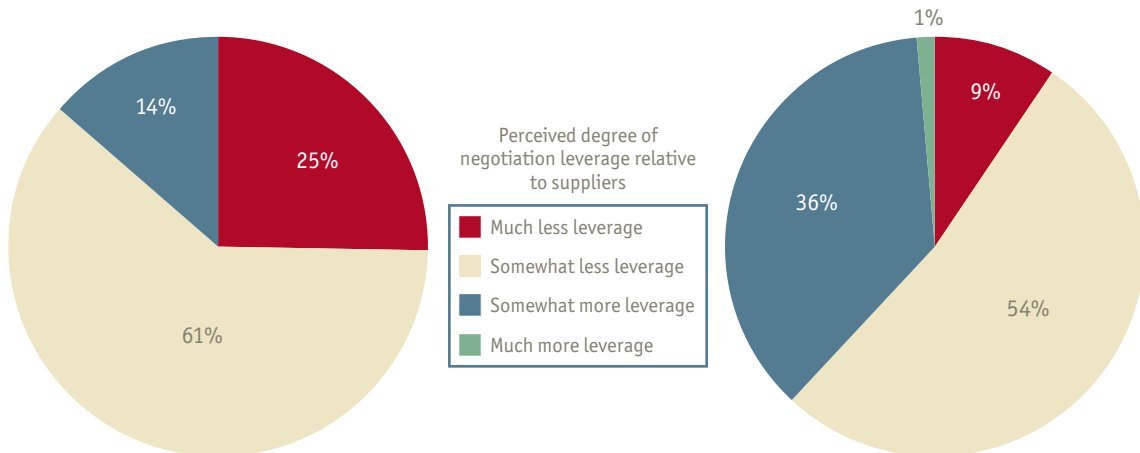


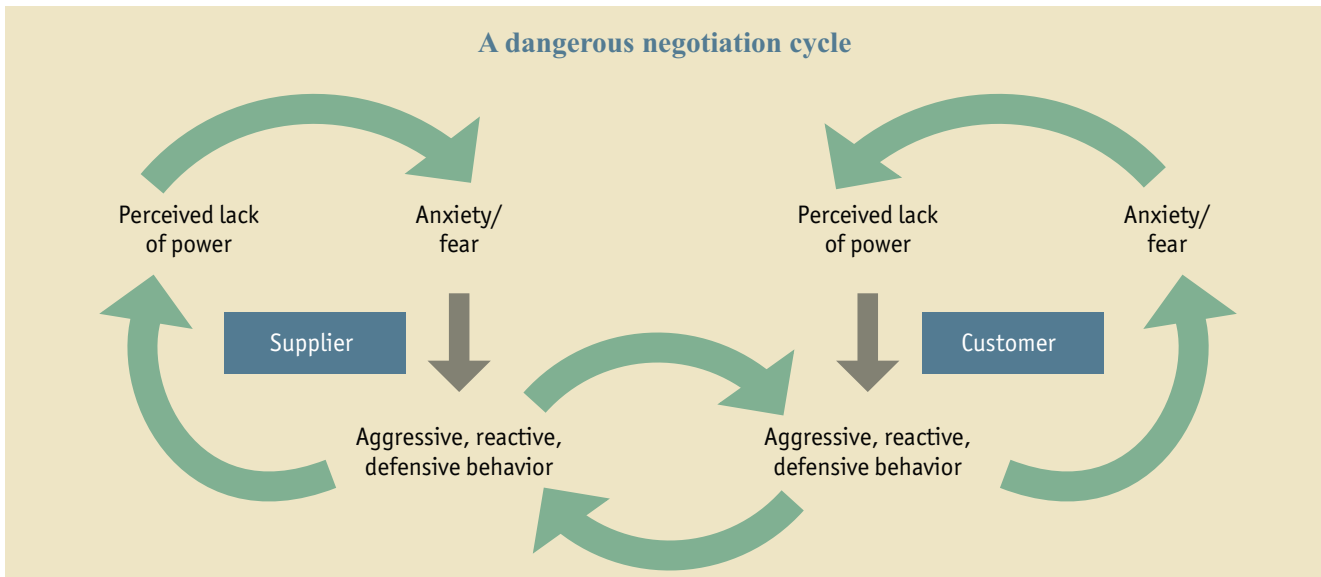
Buy-side perceptions of negotiation leverage are correlated with realization of more value through strategic sourcing

Graph 16

Bottom 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized

Top 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized





Future expectations about leverage

- Interestingly, more than half of buy-side respondents and 45% of sell-side respondents expect to have more leverage than their counterparts during the next year. Over the next three years, expectations rise further, with 79% of buy-side respondents and 55% of sell-side respondents expecting to enjoy greater relative negotiation leverage.
- In part, the data seem to reflect a general optimism on the part of respondents that whatever their current negotiation challenges, things will be easier in the future. Based on our interviews and recent experiences, we think there is also an important truth underneath these seemingly contradictory expectations. The current economic downturn is driving further supply chain and market consolidation; many companies will not survive, while many of those that do will emerge stronger. It is therefore likely that over the next few years many customers and suppliers will find themselves with greater market power, but also with a smaller number of key customers and suppliers who themselves have greater market power as well.
- If negotiations between customers and suppliers remain largely adversarial and tactical in nature, the consequences are likely to be severe for many organizations. Individuals responsible for negotiations need to rethink the nature of negotiation leverage — to stop thinking in terms of the ability to dictate or apply pressure, and begin thinking in terms of the ability to attain, through persuasion and creative problem-solving, positive outcomes that are beneficial to the other side as well.

“We’re reducing our supply base; we have no choice. If suppliers want to be part of the handful that survive, it’s going to be — it has to be — more of a partnership or alliance.”

— Sourcing Manager, Natural Resources & Energy Company

“These days, I’m selective about which deals I engage in. Unless I can see a clear path to getting the contract signed, I don’t engage.”

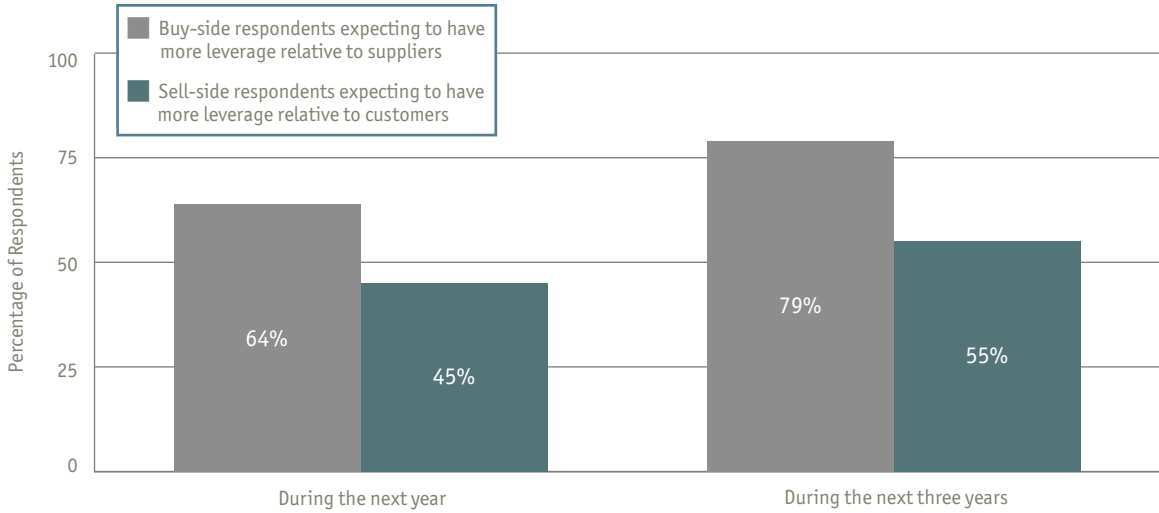
— Director of Sales, Telecommunications Sector

“In the early 1990’s, we screwed our suppliers down to bare minimum, and many of them went out of business. Suppliers have wised up and won’t give us the same response as we got during the last downturn in oil prices. Plus, it was clear that we did not give them benefits when we went up to \$145 per barrel, so no surprise they won’t be anxious to give value back to us now that prices are down.”

— Supply Chain Manager, Natural Resources & Energy Company

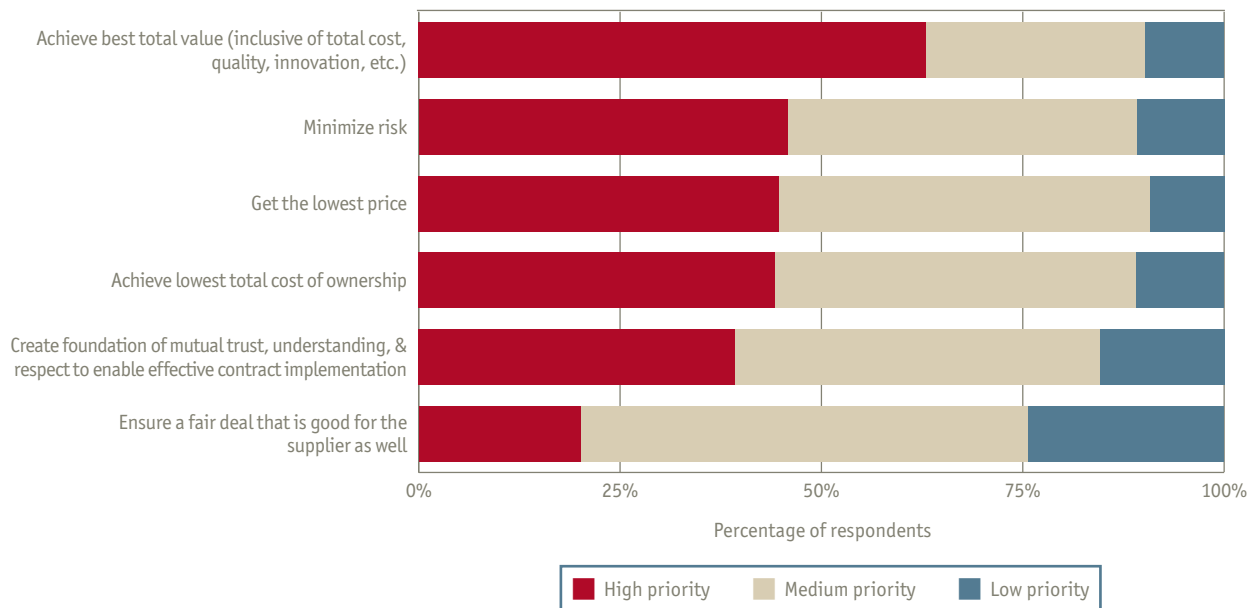
Buy-side and sell-side expectations of changes in relative negotiation leverage

Graph 17



Buy-side priorities for negotiations with suppliers

Graph 18

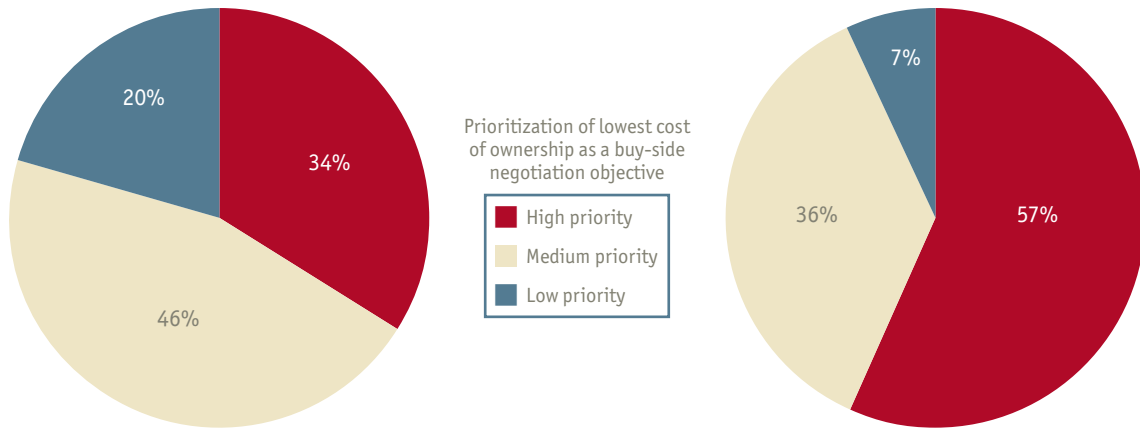


A focus on achieving lowest total cost of ownership (TCO) is correlated with realizing more value from strategic sourcing

Graph 19

Bottom 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized

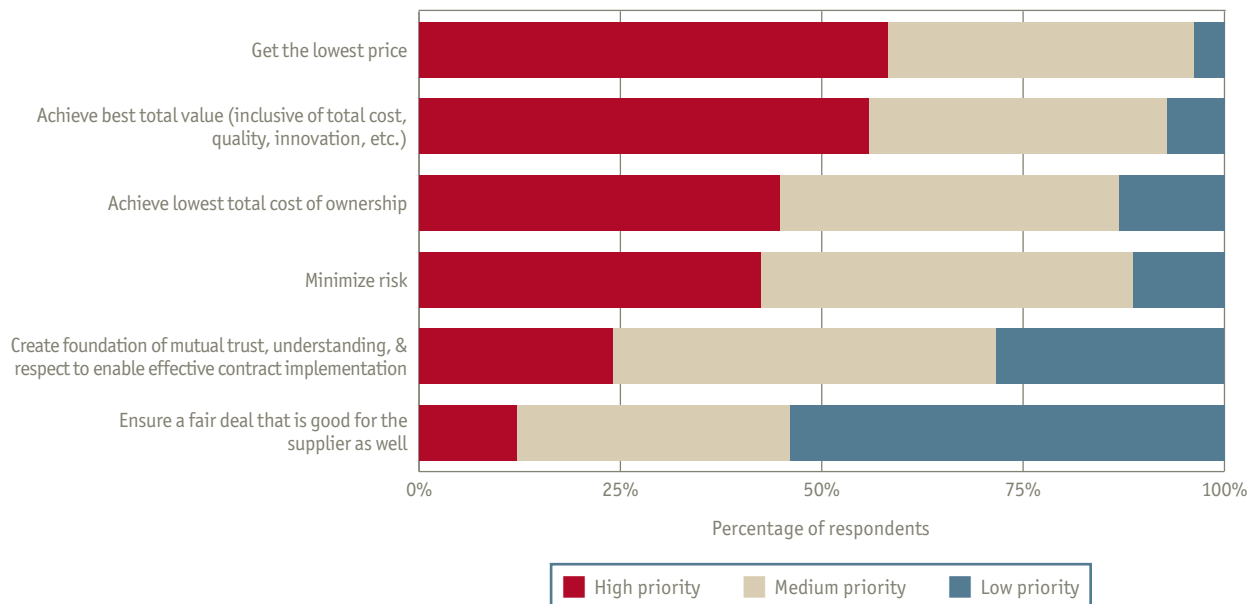
Top 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized



There are no other statistically significant correlations between buy-side negotiation priorities and realization of targeted value through strategic sourcing

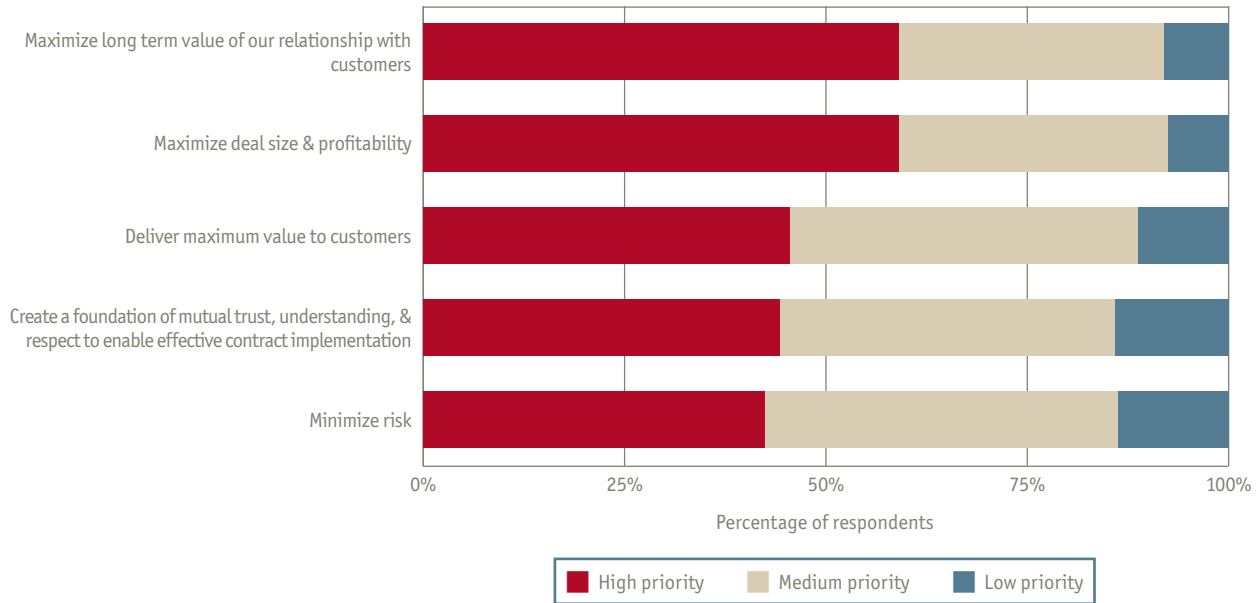
Sell-side perceptions of customer negotiation priorities

Graph 20



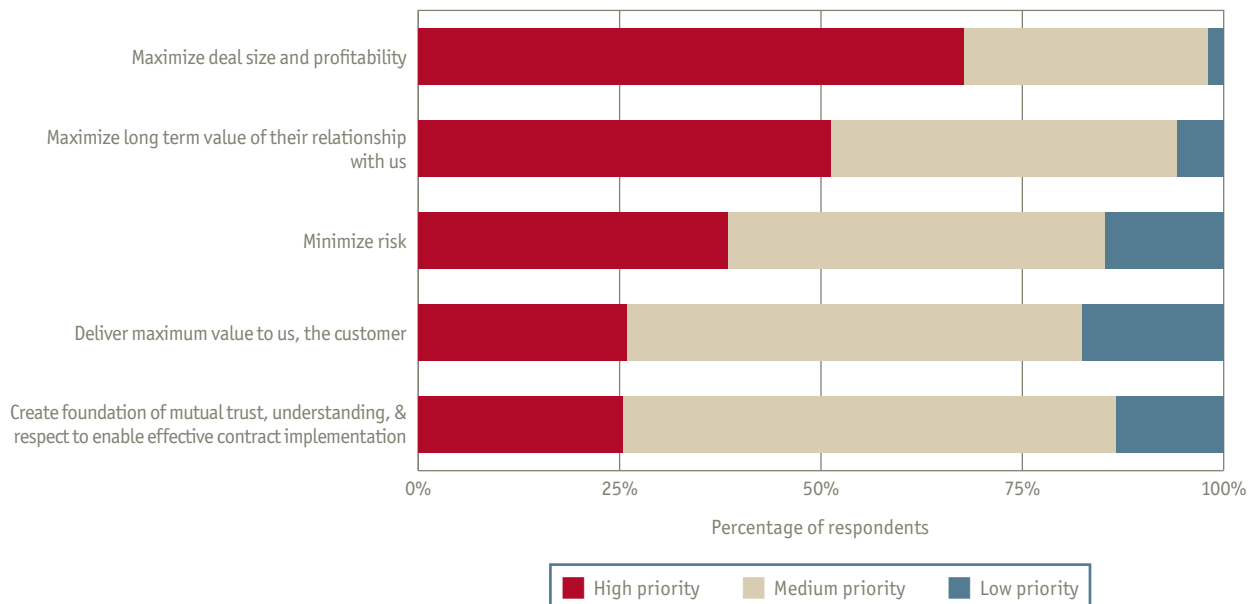
Sell-side priorities for negotiations with customers

Graph 21



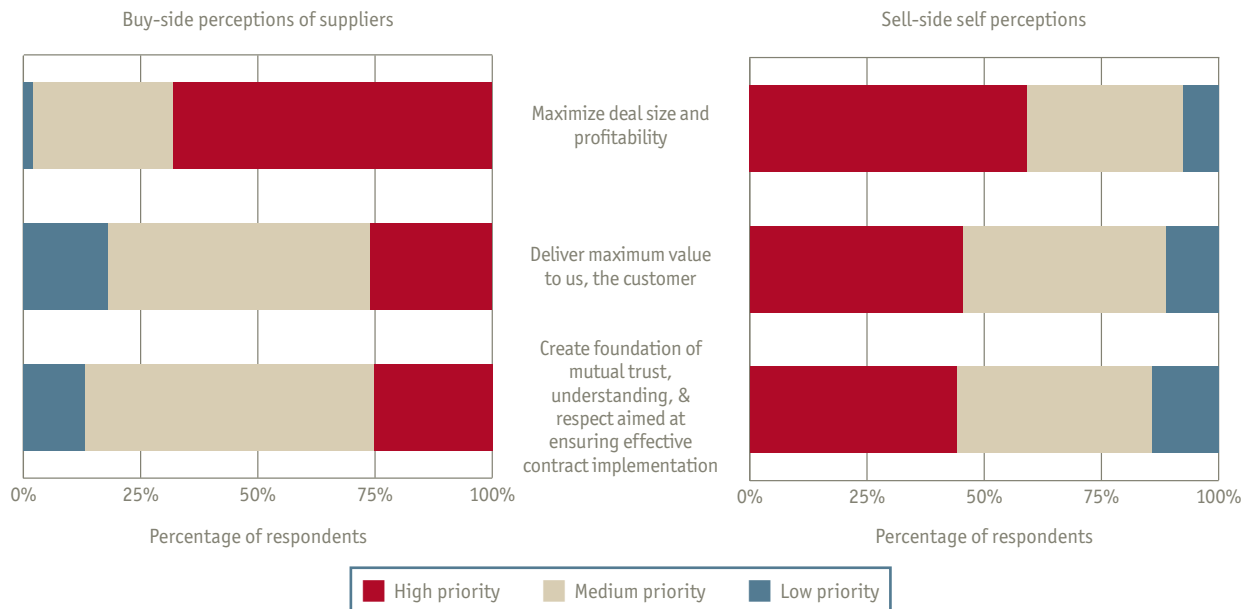
Buy-side perceptions of *supplier* negotiation priorities

Graph 22



Differences between buy-side and sell-side perceptions of *supplier* negotiation priorities

Graph 23



Internal alignment is critical to negotiation success

- On the sell-side, considerable value is often lost because delivery teams are not adequately involved in negotiations with customers. Salespeople report a significant level of concern about involving delivery personnel based on perceptions of their lack of negotiation competence (specifically a fear that they will say things during negotiations that might undermine negotiation leverage, or raise concerns among buy-side counterparts that could put closing a deal at risk).
- On the buy-side, end-users and technical staff working around procurement processes was overwhelmingly cited as the most significant barrier to maximizing value in negotiations with suppliers. Lack of internal stakeholder alignment, in general, was also reported as a top barrier. Interviews and case study analysis reveal that one of the most significant differences between high and low performing organizations was the strength of relationships and collaboration between procurement organizations and their internal business partners.

“It’s an education process on three fronts: internally within procurement, to our suppliers, and to our end-user groups. We are going to constructively challenge our suppliers to change, and our end-users have to change with us. They have to understand they can’t give out little insights or say that a supplier has the business when they don’t.”

— Associate Director of Strategic Sourcing, Pharmaceutical Company

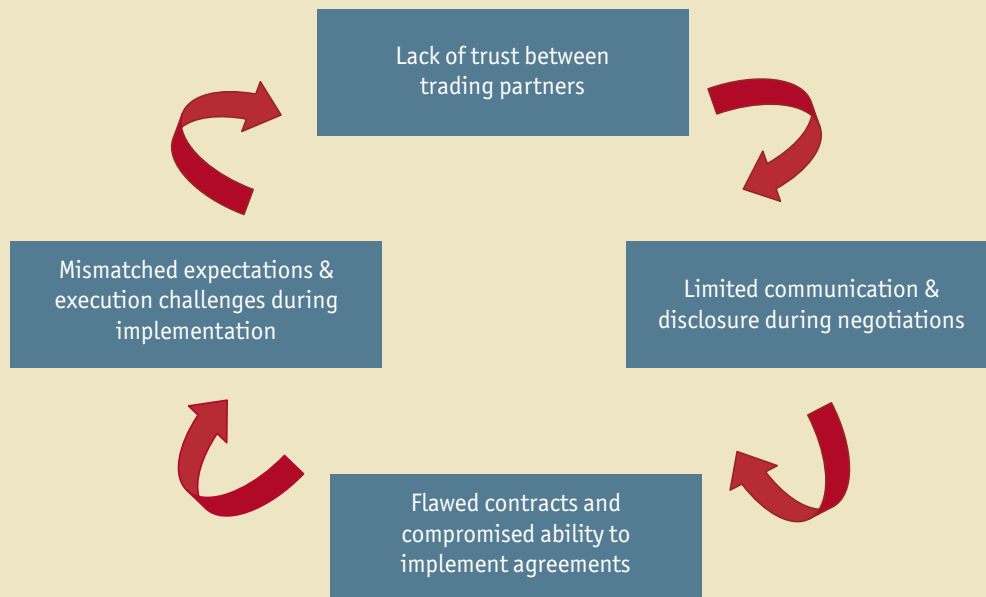
“When I approached a supplier for a copy of their financial information, you’d have thought I was asking the guy to part with his child. But, when I explained, ‘If I was to come in tomorrow and ask for a 10% price reduction (1) I don’t think you could do it, and (2) your CFO wouldn’t let you. But, let me tell you that I think we can reduce the price by 10% – and preserve your margins – by focusing on some specific areas,’ he said, ‘I wish we had more customers like you!’”

— VP Procurement, Manufacturing

Disclosure is a major challenge during negotiations

- Lack of significant disclosure by the other side was cited as a significant barrier to maximizing value achieved in negotiations by both the buy-side and sell-side respondents (though each side viewed its own lack of disclosure as far less serious). But while both sides recognize the additional value that could be realized by broader disclosure, they also fear that such disclosure will be exploited by their negotiation counterparts.
- A lack of trust between trading partners, and a generally adversarial and tactical approach to negotiations, mean that communication and disclosure during negotiations is often highly constrained. This dynamic goes a long way to explaining the enormous value leakage during contract implementation reported by both buy-side and sell-side study participants.

A common and dangerous feedback loop



Incentives are seen as a barrier to value-maximizing negotiations

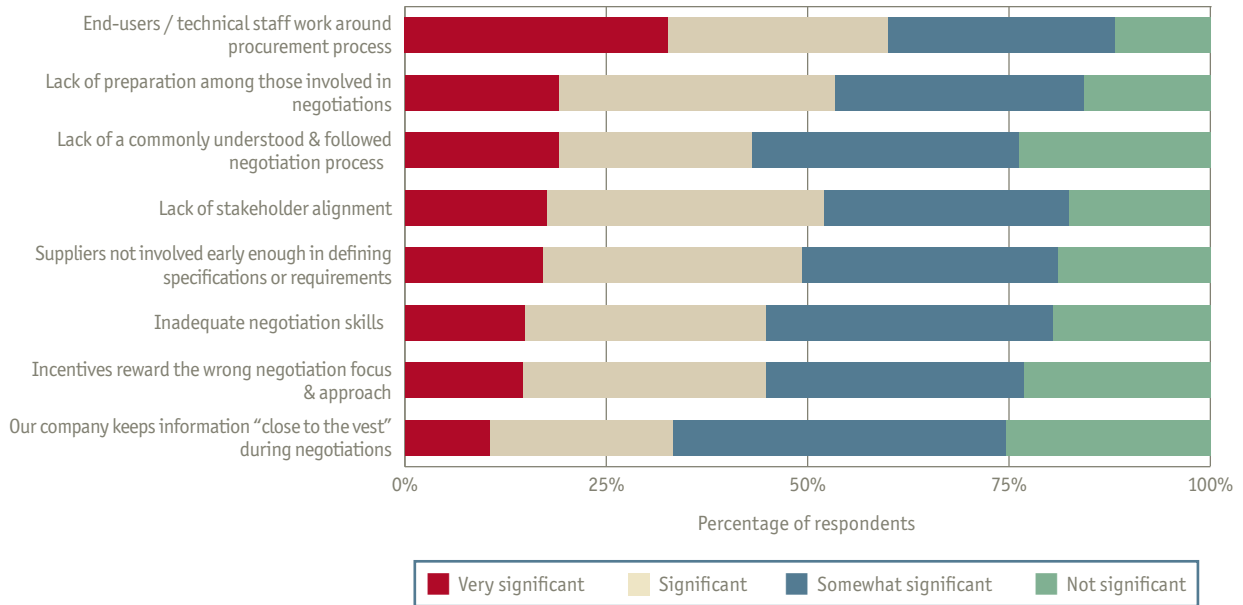
- More than 50% of both buy-side and sell-side respondents perceive the other side's incentives as a very significant or significant barrier to maximizing value in negotiations. To a lesser extent, both sides recognize that incentives at their own company often act as a barrier to negotiating deals that would maximize corporate and shareholder value.
- In general, incentives at most organizations are designed with a primary focus on ease of measurement and objectivity. The result is that critical drivers of value and overall corporate performance are often short-changed. Organizations that report the best negotiation results tend to have more management-intensive processes for reviewing negotiator performance; they rely far less heavily on simple quantifiable metrics.
- On the buy-side, top performers place far more focus on evaluating reductions in total cost of ownership (which often involves a degree of subjective judgment) than on reductions in price or unit costs. Subjective measures of value to end-users are often used, and formal ROI measures are used for specific purchases as well. On the sell-side, top performers are far more likely to balance straight sales incentives with assessment of deal margin, and to link negotiator incentives to longer-term measures of account growth and customer satisfaction.
- Leading companies also tend to assess negotiators in part on their adherence to defined negotiation processes and policies — not only on results achieved.

At one company, management has tackled the pervasive problem of inadequate preparation by negotiators. Preparation tools and templates have been developed, and depending on the nature of a given negotiation, certain forms must be completed.

Rather than perform a cursory and meaningless review of hundreds or thousands of documents, negotiators are subject to "random audits" by senior management. This allows for in-depth assessment of the quality of negotiation preparation, without a major investment of time in measuring compliance.

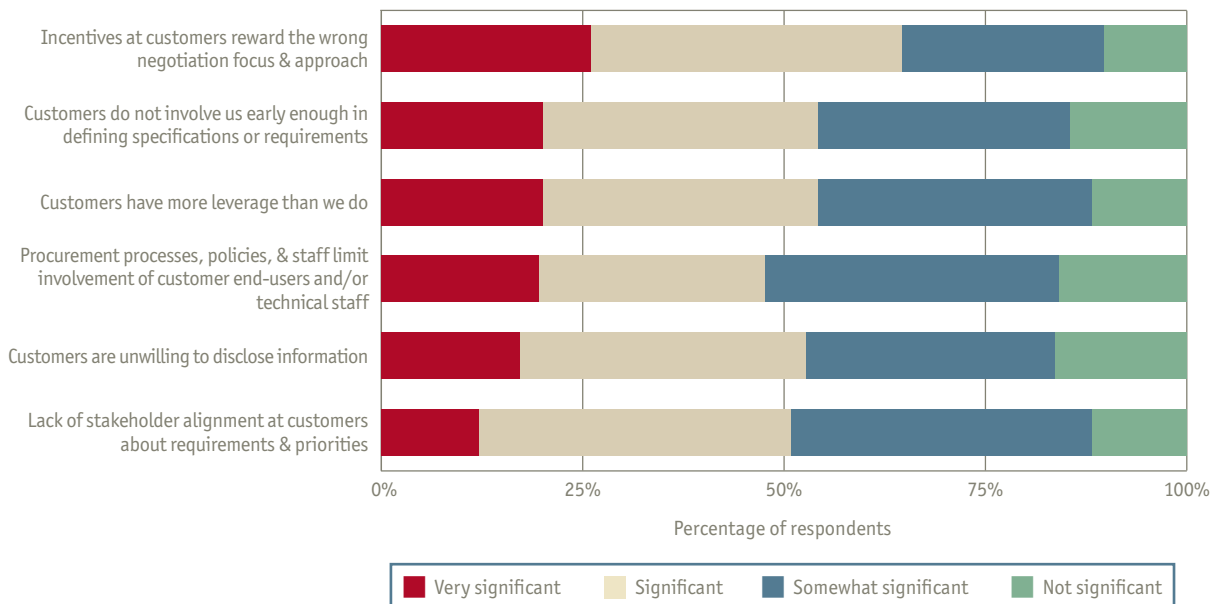
Barriers at *customers* to maximizing value in negotiations with suppliers — *buy-side perceptions*

Graph 24



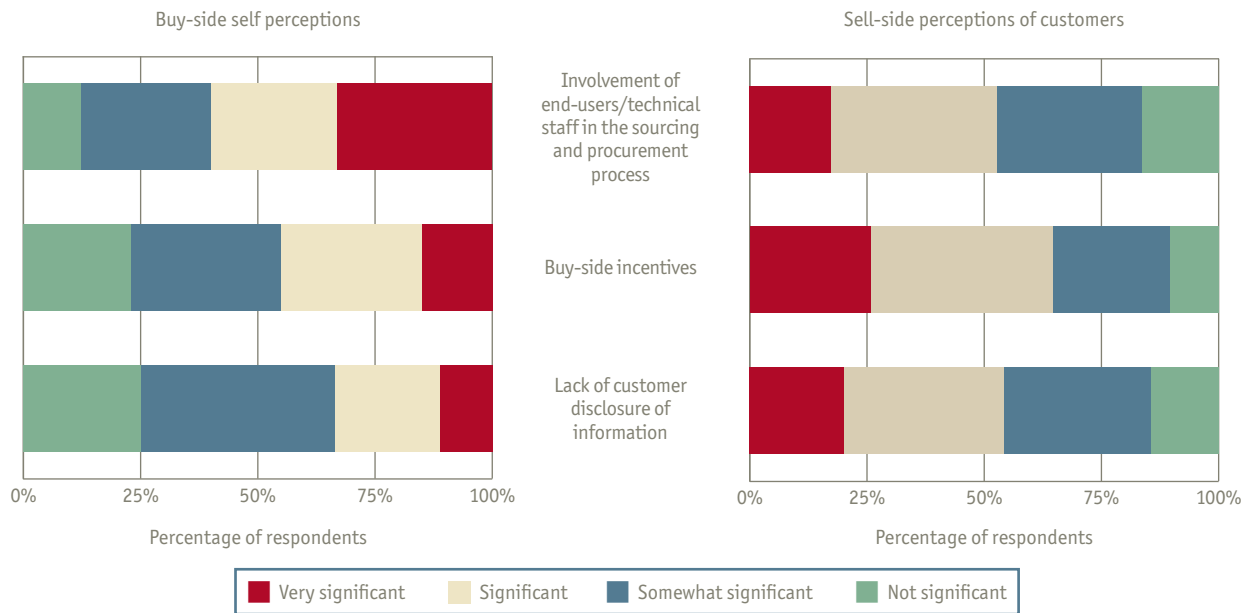
Barriers at *customers* to maximizing value in negotiations with suppliers — *sell-side perceptions*

Graph 25



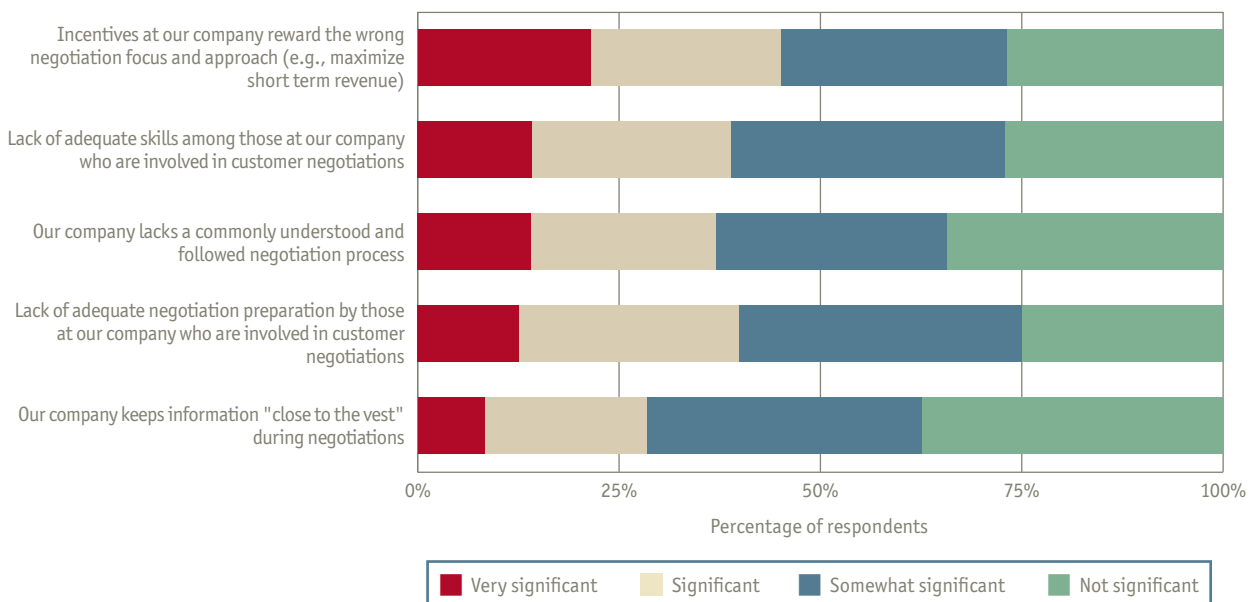
Differences between buy-side and sell-side perceptions of barriers at *customers* to maximizing value in negotiations

Graph 26



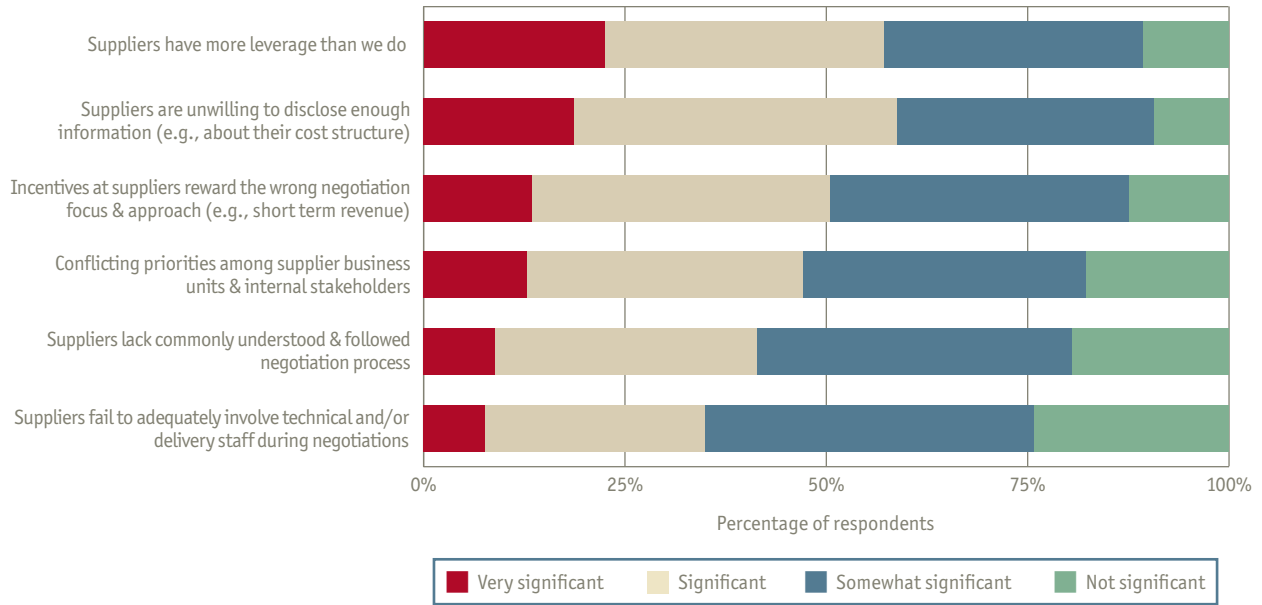
Barriers at *suppliers* to maximizing value in negotiations with customers — *sell-side perceptions*

Graph 27



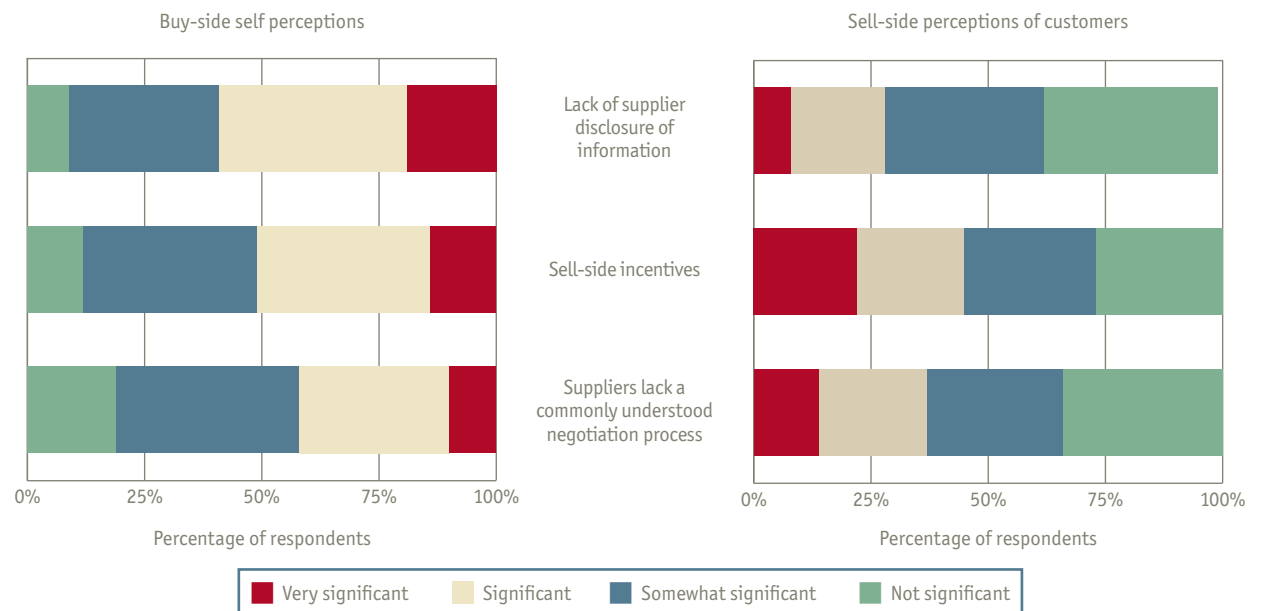
Barriers at *suppliers* to maximizing value in negotiations with customers — *buy-side perceptions*

Graph 28



Differences between buy-side and sell-side perceptions of barriers at *suppliers* to maximizing value in negotiations

Graph 29

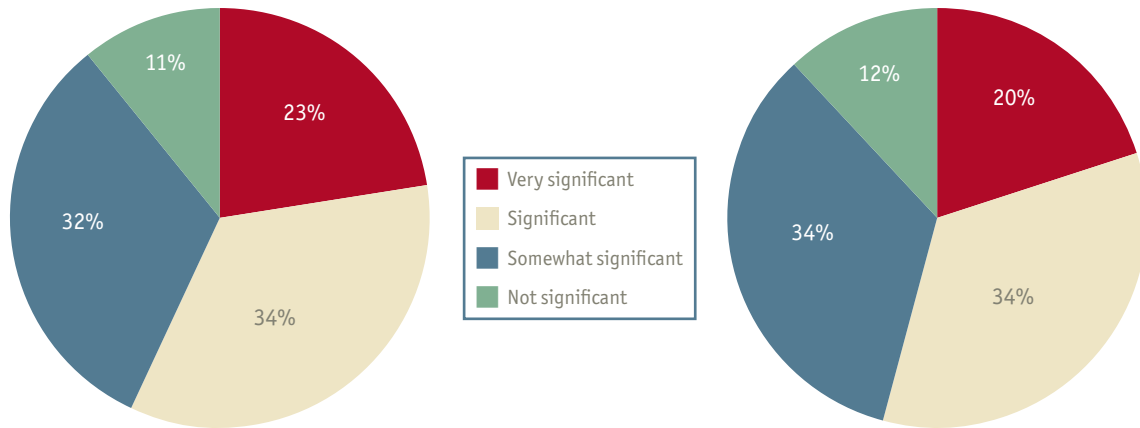


Buy-side and sell-side perspectives on how a (perceived) lack of leverage acts as a barrier to negotiation success

Graph 30

Buy-side perceptions of the degree to which suppliers having more leverage acts as a barrier to negotiation success

Sell-side perceptions of the degree to which buyers having more leverage acts as a barrier to negotiation success



Buyers and suppliers perceive the *other* side having more leverage as an equally significant barrier

"I am of a position that you can only get so much blood from a rock and that the days of savings are, for the most part, over."

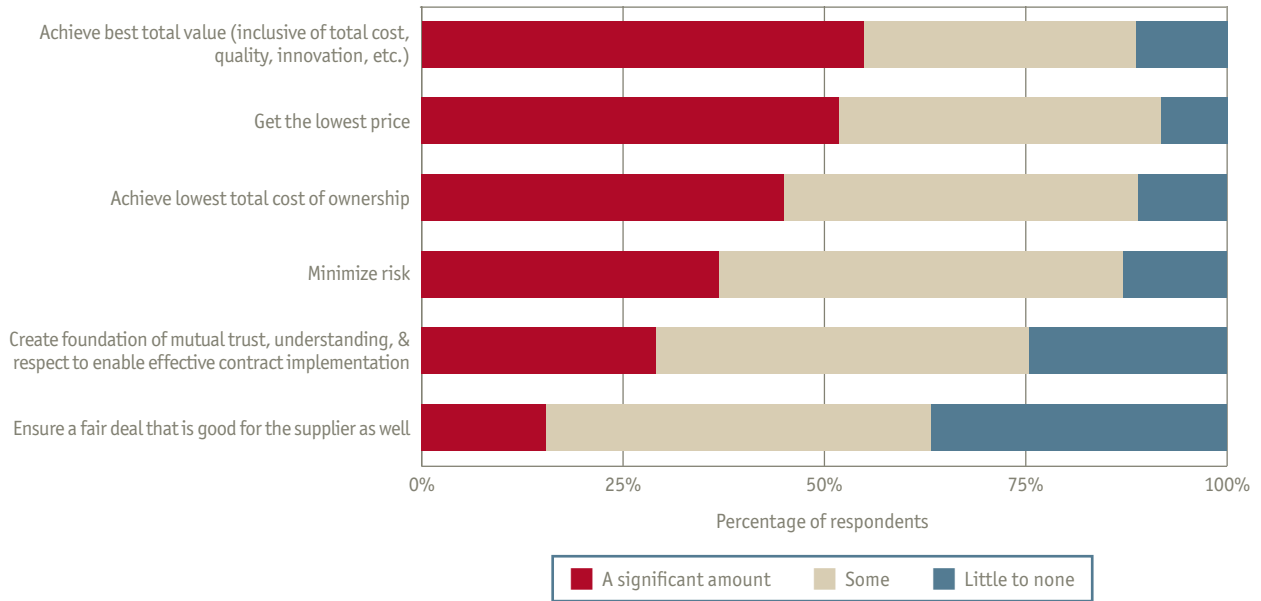
— Lead Contracting & Sourcing Specialist, Telecommunications Sector

"We are very price driven and that is not always the best way to go. When someone else comes along with larger volume or more attractive terms, suppliers are more inclined to say 'take a hike.'"

— Category Manager, Pharmaceuticals

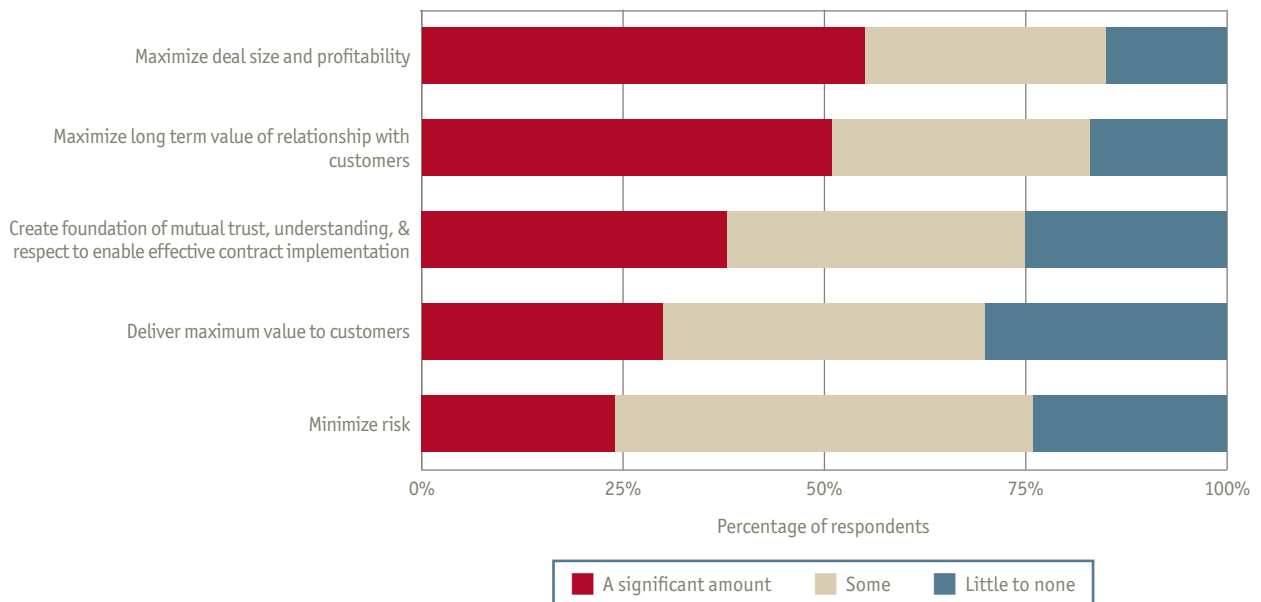
Weighting of negotiation objectives in individual performance incentives — *per buy-side respondents*

Graph 31



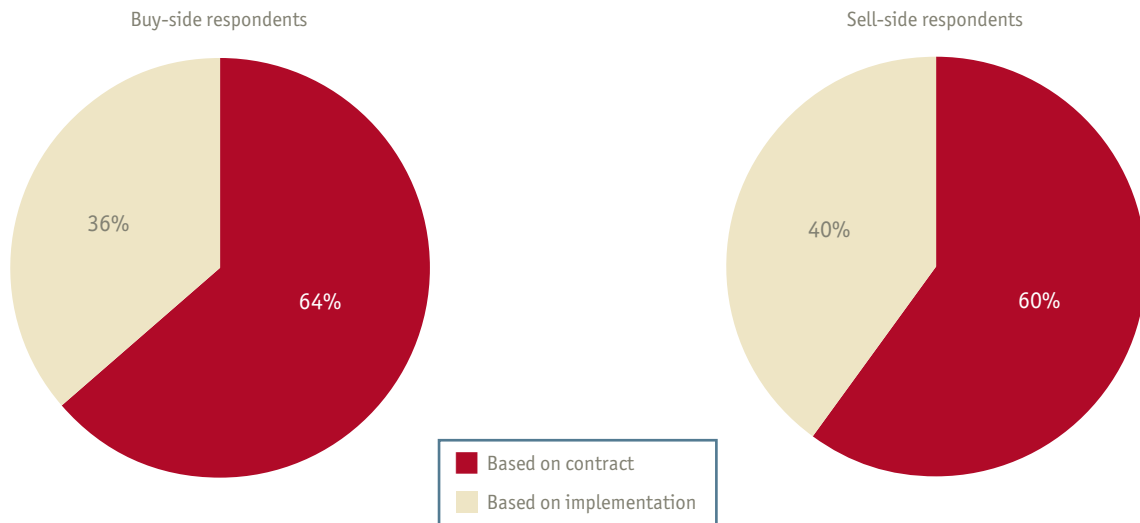
Weighting of negotiation objectives in individual performance incentives — *per sell-side respondents*

Graph 32



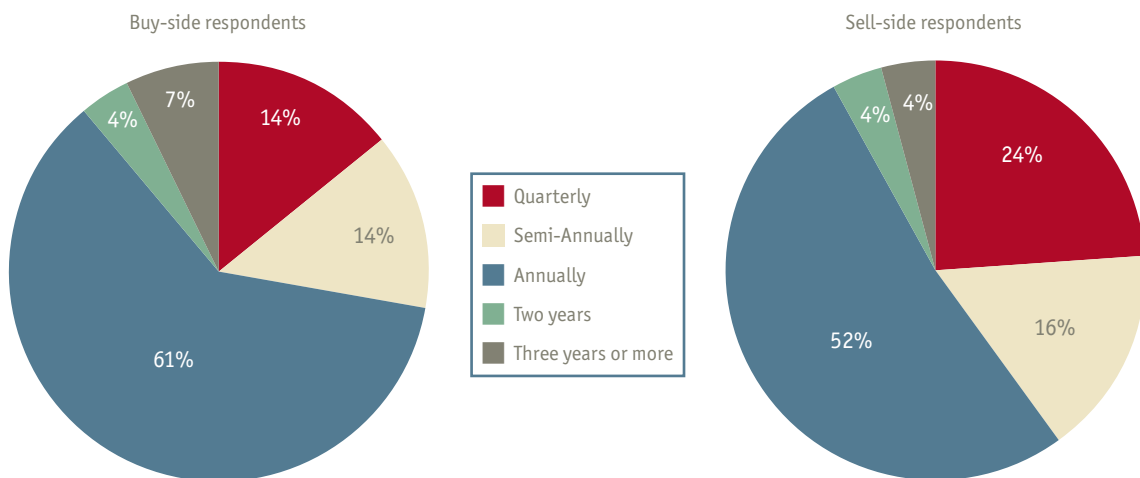
Negotiator performance based on contract price and terms, versus value of contract during implementation

Graph 33



Percentage of negotiation performance assessed at various time intervals

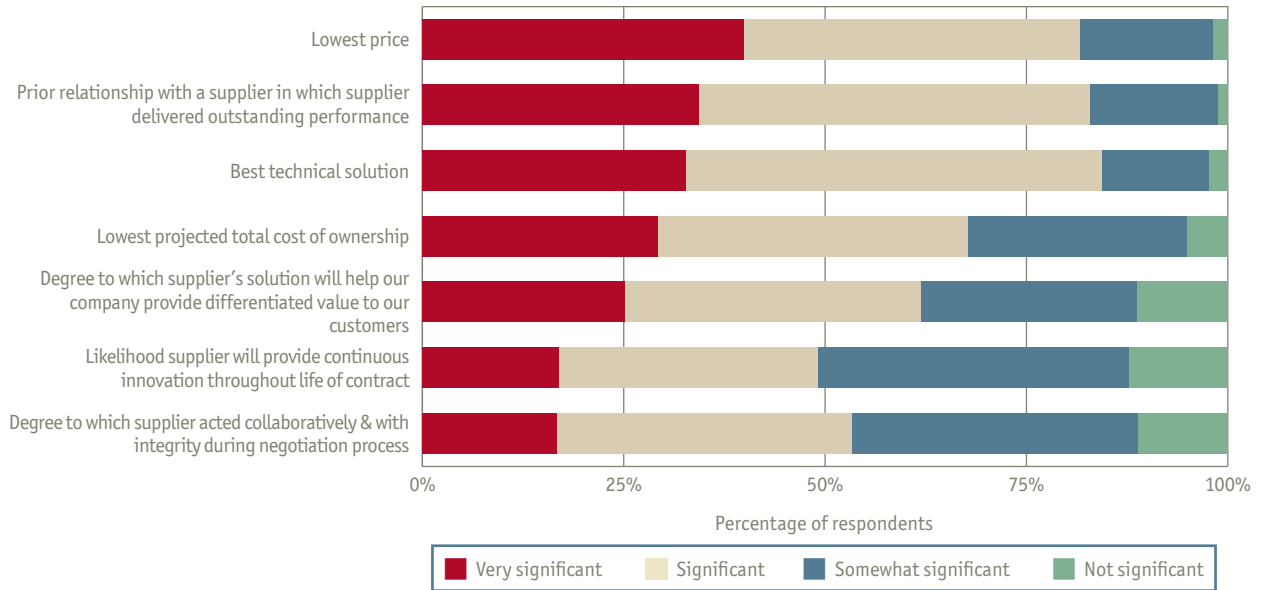
Graph 34



Buy-side and sell-side respondents were asked to estimate the % of their total negotiation performance that was assessed based on results at each noted time interval. The charts represent the averages of these responses.

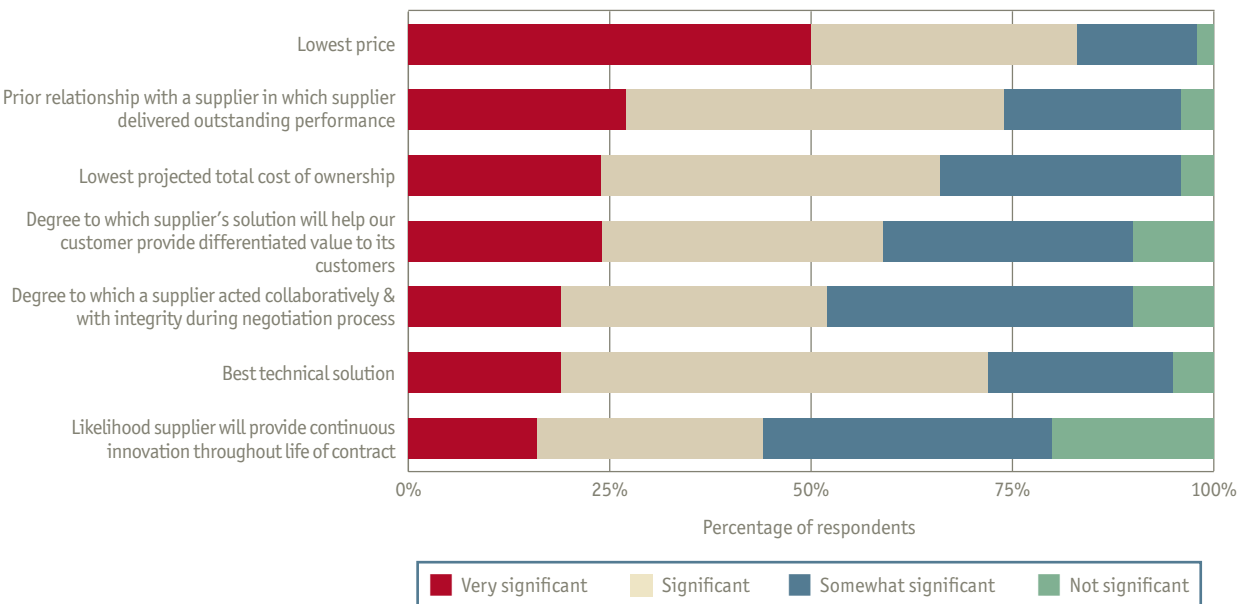
Supplier evaluation/selection criteria used by customers in competitive bidding situations

Graph 35



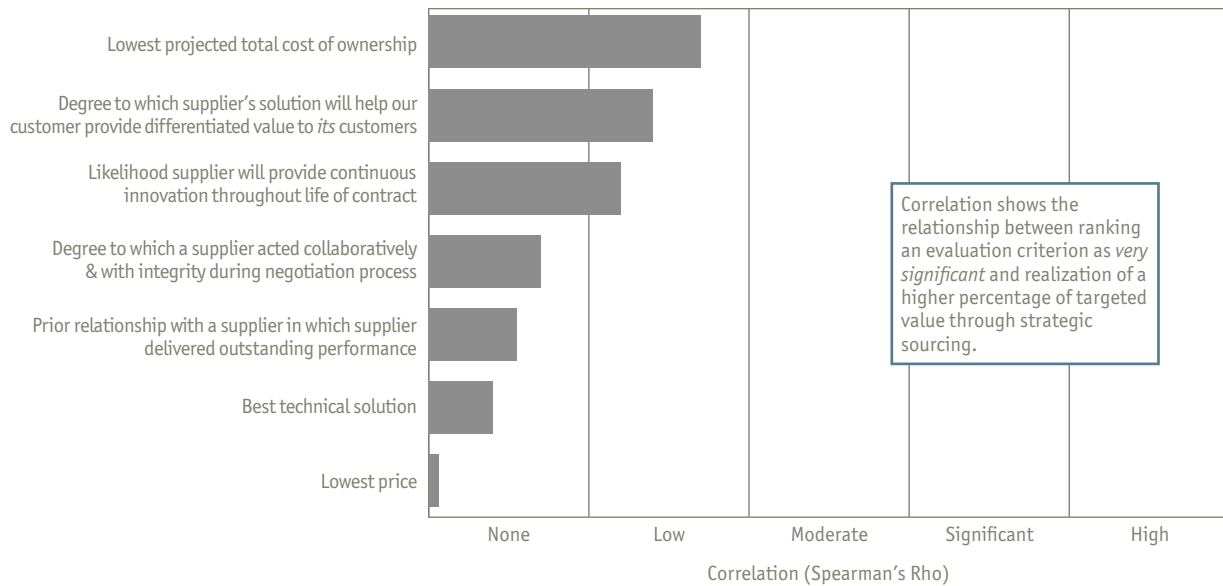
Sell-side perceptions of evaluation/selection criteria used by customers in competitive bidding situations

Graph 36



Correlation of value realized from strategic sourcing with evaluation criteria used in competitive bidding situations

Graph 37



Creative trade-offs can help resolve many contentious issues

- Most organizations and their negotiators tend to negotiate specific contracts terms and conditions one by one, trying to achieve outcomes with minimal deviation from organizational targets and policies. The effect is an often inefficient and adversarial haggling process. Top performers, by contrast, approach negotiations in a much more holistic fashion. Negotiation strategies and contract guidelines explicitly define sensible trade-offs among various issues. Negotiators are empowered to explore and actively search out low-cost, high-value trade-offs across issues based on the different business models and circumstances of their various trading partners.

"There seems to be this trend where the procurement and contracts people we deal with are given a script, but have no idea what the business rationale is behind any of their standard contracts terms. They refuse to discuss gives and takes across different terms. I've seen this blow up deals when we couldn't get more senior people involved. The rest of the time, it just leads to waste and lost opportunity. Do they really not understand that the more risk I take on, the higher the price is going to be?"

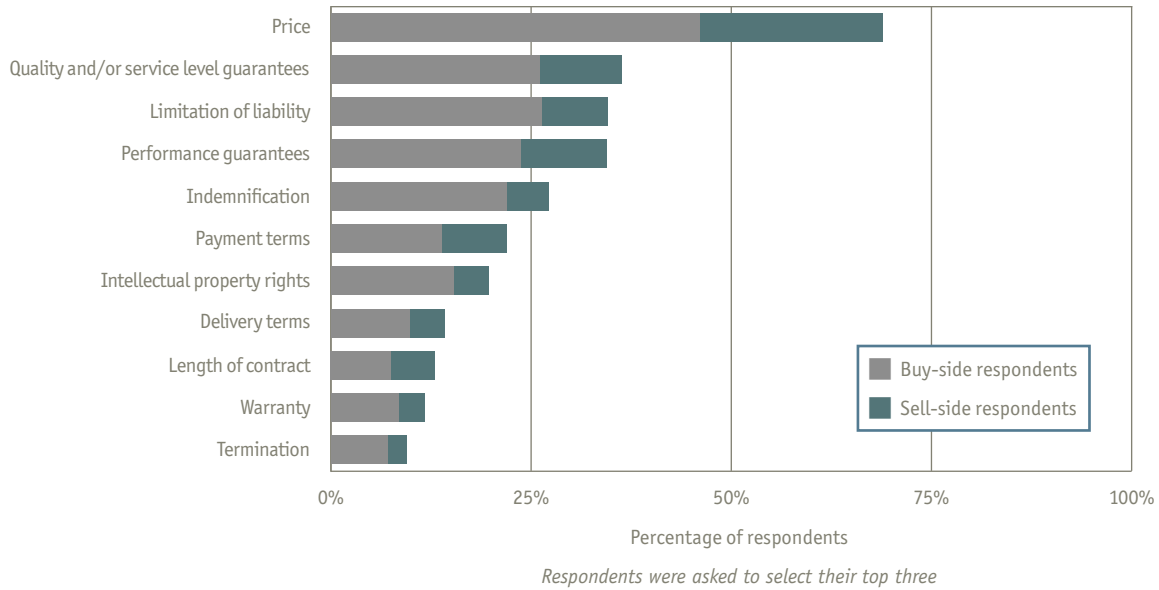
— VP Sales, Engineering Services Company

"I see people who negotiate over price and then over assignment of risks, and that doesn't seem to make much sense."

— Contracts Manager, Aerospace & Defense

Most contentious negotiation issues and/or terms

Graph 38





Part IV

Negotiation practices & capabilities



Contrasting perspectives on negotiation

Common characteristics of low performers	Common characteristics of high performers
<ul style="list-style-type: none"> ■ Negotiations are approached as an adversarial, zero-sum activity ■ Negotiation is viewed as an event rather than a process ■ Negotiation is an ad hoc activity; there is no formally documented process or methodology for planning or conducting negotiations ■ Negotiators focus on achieving narrowly defined mandates (specific positions on price, terms, and conditions) with little understanding of the business context and objectives that lie behind those positions ■ Negotiations focus on getting the most favorable contract terms — little time or energy is focused on ensuring successful implementation ■ Negotiation is viewed as a tactical activity that is the primary or sole responsibility of commercial groups (e.g., procurement, contract management) ■ There is little investment in development of negotiation skills, and all of that is focused specifically on individuals in commercial roles 	<ul style="list-style-type: none"> ■ Negotiations are approached as a collaborative activity focused on achieving mutually beneficial outcomes ■ Negotiation is viewed and managed as a process, not an event ■ There is a formally defined negotiation process that is fully integrated with the organization’s sales and/or sourcing processes ■ Negotiators understand and focus on business objectives and context; as a result, negotiations are focused on joint problem-solving and mutual persuasion, rather than haggling ■ Negotiations are focused on laying a foundation for working effectively with business partners, rather than simply getting favorable contract terms ■ Negotiation is viewed as a strategic activity that requires cross-functional involvement from business, technical, and commercial stakeholders ■ Significant investments are made in building negotiation skills across the enterprise

Organizations who implement formal negotiation processes realize better negotiation results

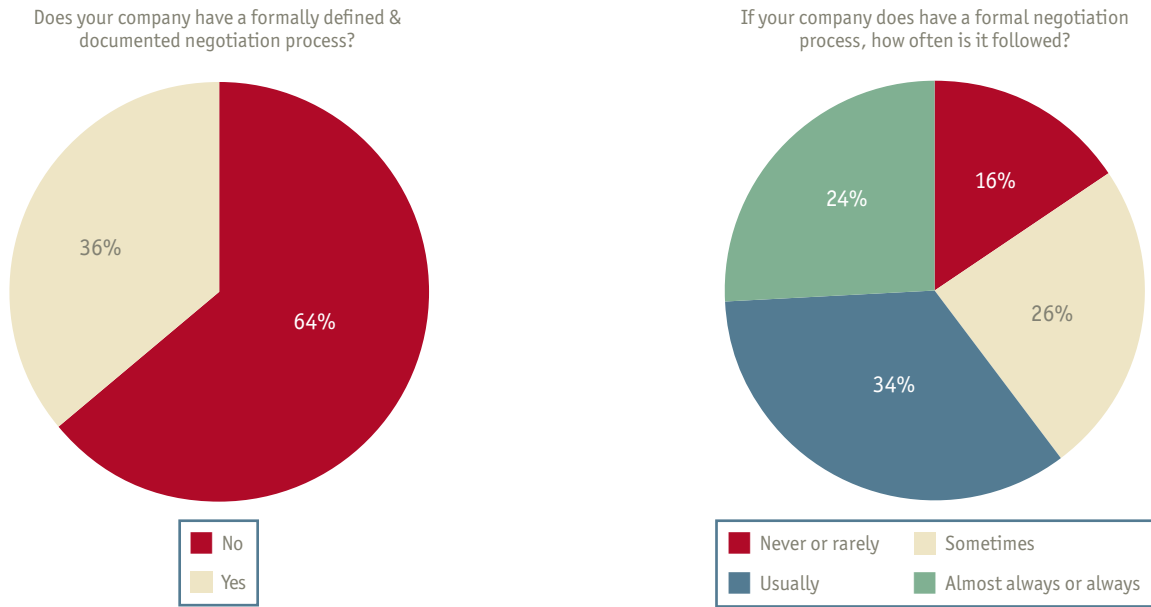
- More than half of buy-side and sell-side respondents characterize their negotiations as somewhat or highly unstructured and unpredictable. Among the top 10% of buy-side respondents (in terms of value realized from strategic sourcing), a mere 1% characterize negotiations as highly unstructured and unpredictable, and only 32% as somewhat unstructured and unpredictable. By contrast, among the bottom 10%, a full 20% characterize negotiations as highly unstructured and unpredictable, and 49% as somewhat unstructured and unpredictable.
- Both buy-side and sell-side respondents with formal negotiation processes in place in their organizations reported superior results compared to those without. Effective negotiation processes ensure that early sourcing and business development activities are undertaken with awareness of how they set the stage for more formal negotiations over pricing and terms later; that sufficient preparation takes place (a major challenge and consistently cited barrier to better results on both buy-side and sell-side); and that all relevant stakeholders (especially business and technical stakeholders) are constructively involved throughout the negotiation process — which leads to more robust and realistic agreements, and an enhanced ability to work effectively together during contract implementation.

Elements of effective negotiation process design
■ Clearly defined and documented steps for negotiations, from strategy development, to preparation, through execution
■ Integration with sales and procurement processes, ensuring that negotiation strategy development and planning happens at the earliest stages of business development or sourcing
■ Clearly defined negotiation roles and responsibilities — aimed at ensuring cross-functional engagement and coordination, and appropriate senior management involvement
■ Defined approval and/or audit checkpoints — aimed at limiting risks while simultaneously providing negotiators with the latitude to be creative

Bottom 10% of buy-side respondents	Top 10% of buy-side respondents
Formal negotiation process	
14% reported using a formal negotiation process	56% reported using a formal negotiation process

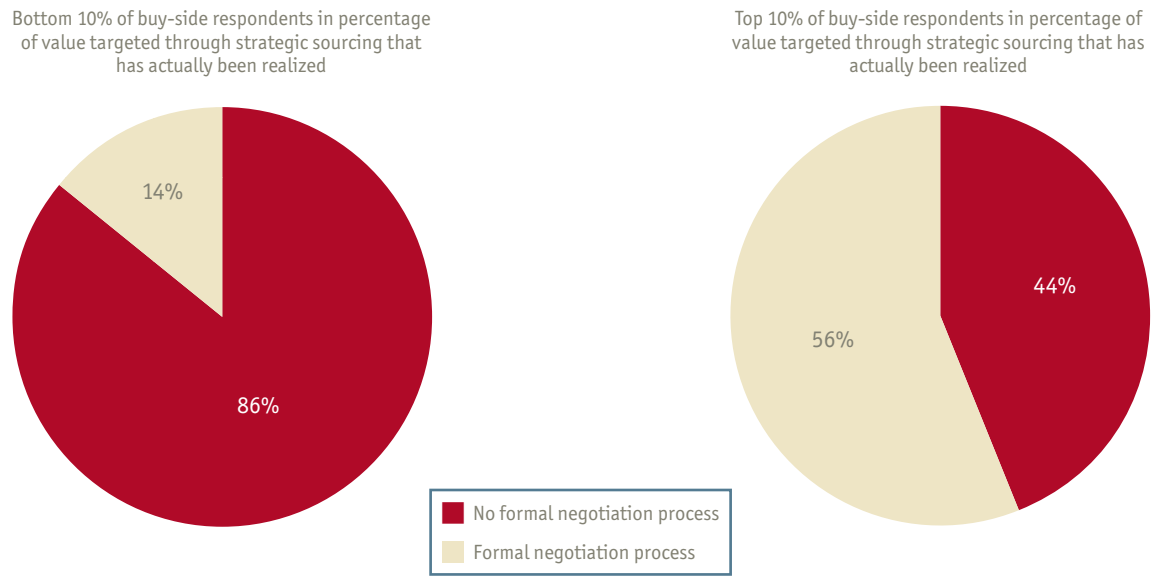
Prevalence of formal buy-side negotiation process at participating companies — per buy-side respondents

Graph 39



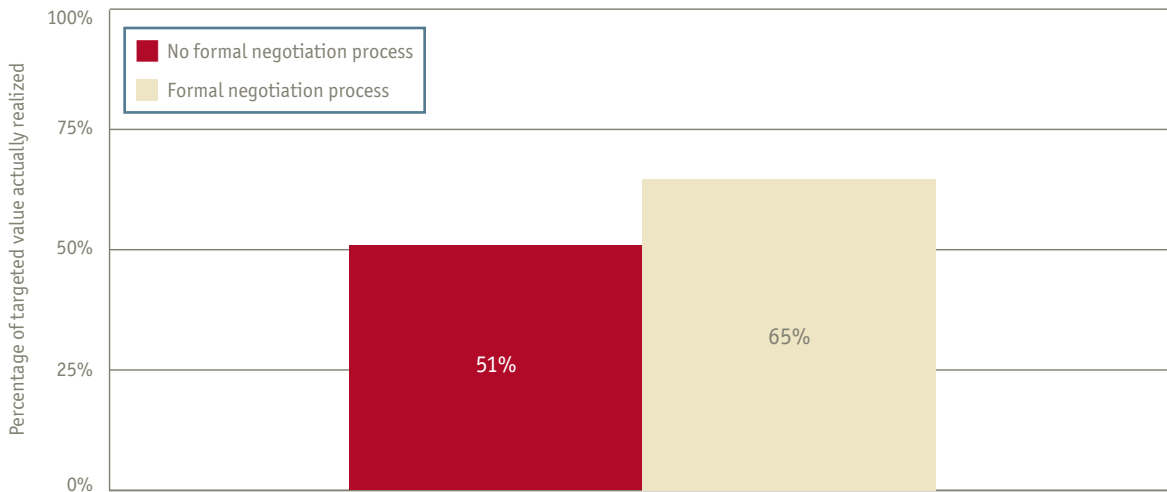
A formal buy-side negotiation process is correlated with realization of greater value through strategic sourcing

Graph 40



A formal buy-side negotiation process is correlated with realization of greater value through strategic sourcing

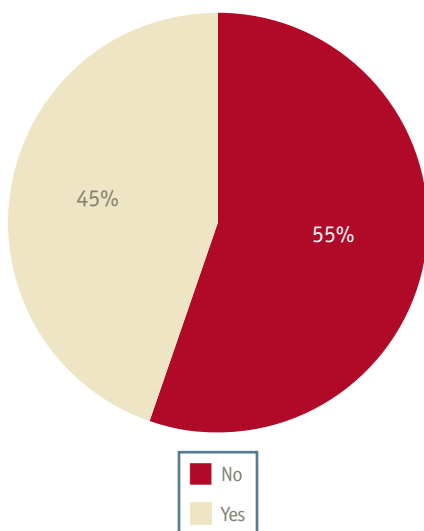
Graph 41



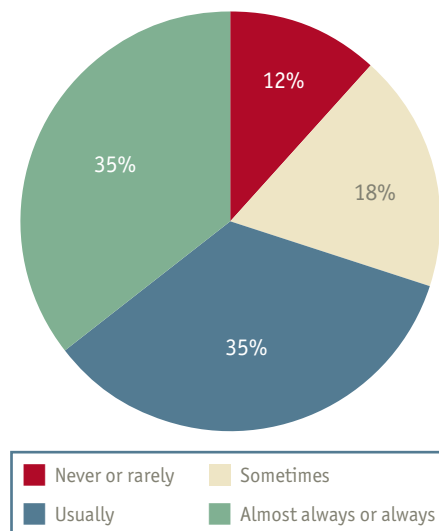
Prevalence of formal sell-side negotiation process — per sell-side respondents

Graph 42

Does your company have a formally defined & documented negotiation process?



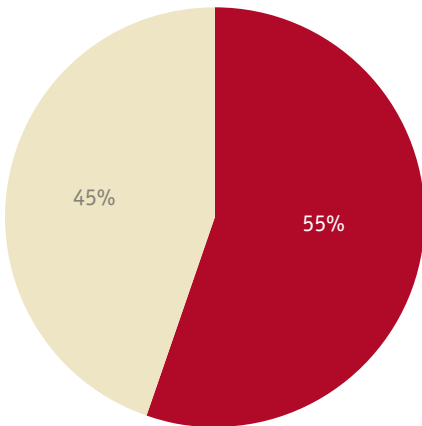
If your company does have a formal negotiation process, how often is it followed?



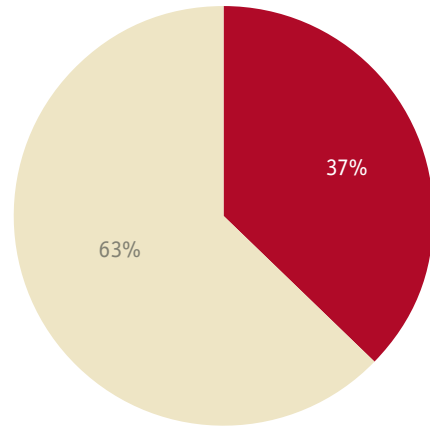
Prevalence of buy-side formal category management process & impact on negotiation strategy

Graph 43

Does your company have a formally defined & documented category management process?



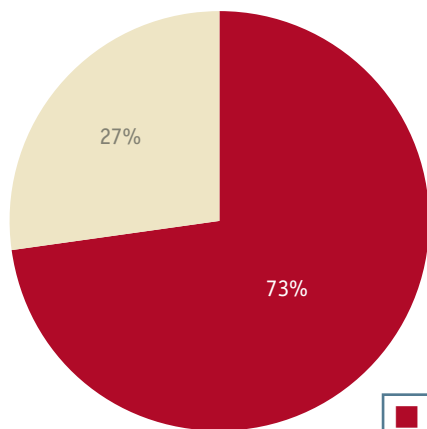
If yes, does your company employ significantly different negotiation strategies from one category to another?



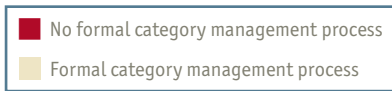
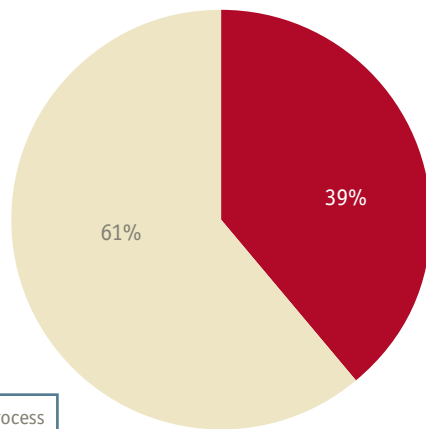
Companies with a formal category management process report realizing greater value through strategic sourcing

Graph 44

Bottom 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized

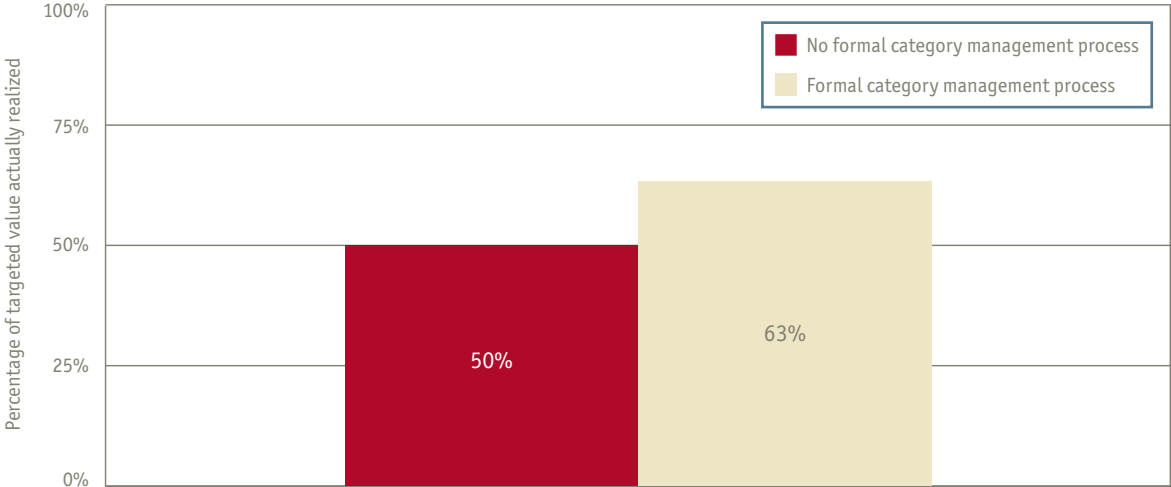


Top 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized



Companies with a formal category management process report realizing greater value through strategic sourcing

Graph 45



Buy-side respondents that reported having both a formal category management process and a formal SRM program were:

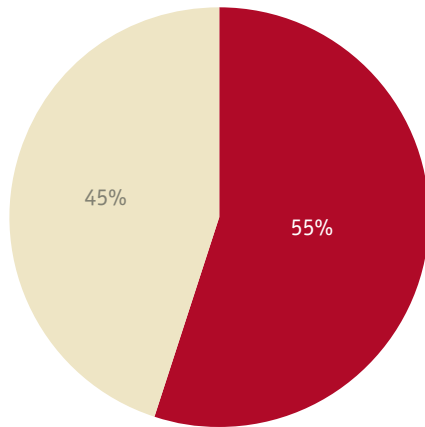
8 times more likely to be in the top 25% of buy-side respondents (versus the bottom 25%) in percentage of contract value actually realized during implementation

3 times more likely to be in the top 10% of buy-side respondents (versus the bottom 10%) in percentage of value targeted through strategic sourcing that has actually been realized

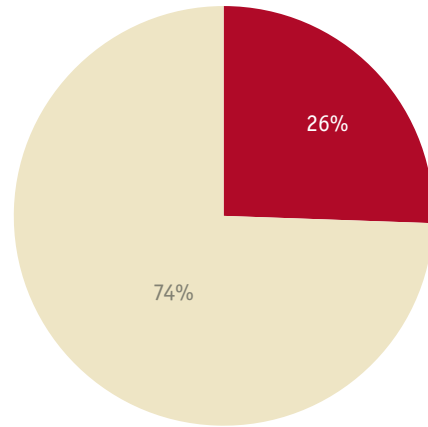
Prevalence of a formal supplier relationship management (SRM) program & impact on negotiation strategy

Graph 46

Does your company have a formally defined & documented SRM program?



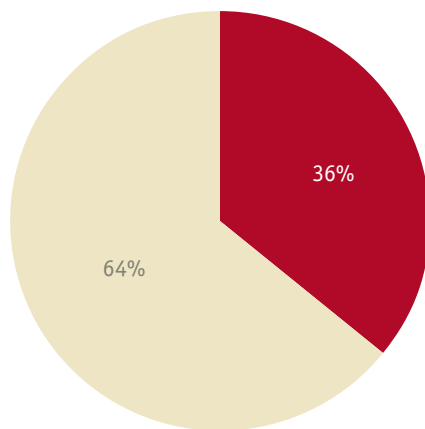
If yes, does your company employ significantly different negotiation strategies with your key/strategic suppliers versus other suppliers?



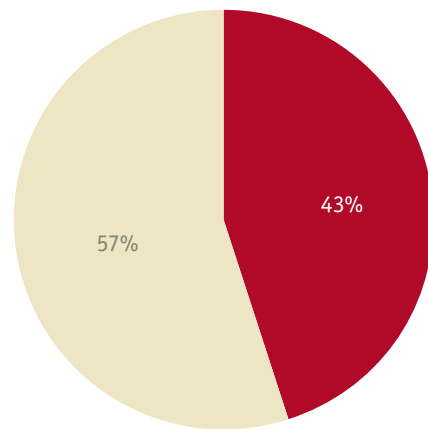
Prevalence of sell-side formal key account management (KAM) program & impact on negotiation strategy

Graph 47

Does your company have a formally defined & documented KAM program?



If yes, does your company employ significantly different negotiation strategies with your key accounts, versus other customers?



Negotiated results and relationship management

- Both buy-side and sell-side respondents ranked “creating a foundation of mutual trust, understanding, and respect to enable effective contract implementation” low on their list of priorities (and perceived that the other side also gives this item a low ranking). Our analysis suggests that this factor should be given greater priority in negotiations, and that a focus on building a foundation for effective contract execution and delivery can significantly improve the percentage of potential contract value realized during implementation.
- A lack of mutual understanding (specifically of expectations and organizational culture) and breakdowns in trust between trading partners are almost universally cited as primary causes of significant execution problems and lost value in contract implementation.
- On the buy-side, organizations with formal Supplier Relationship Management (SRM) programs report realizing, on average, somewhat more value from strategic sourcing efforts and more value from contracts during implementation than organizations without such programs. However, the statistical correlation is weaker than might be expected. On the sell-side, survey data shows no statistical correlation between the presence of a formal Key Account Management (KAM) program and satisfaction with customer contracts, or value delivered during contract implementation.
- Interviews and case study analysis suggest that the absence of a stronger correlation can be explained by two factors. One, many SRM and KRM programs exist in name only — they simply are not effectively designed or implemented. The second related factor is that SRM and KAM programs are often divorced from sourcing and sales activities, and thus from the process of negotiating contracts with customers and suppliers.
- Interviews and analysis focused on top-performers indicate that they almost always exhibit a high degree of alignment and coordination between negotiation strategies and processes and relationship management programs than do other organizations.

“It’s critical that the customer feels comfortable and confident in what we’re doing, so we need to be transparent. We want to be up front in the negotiation about how we’re going to handle implementation and talk about the challenges. Our approach has an extra benefit in that when we get into these details, customers feel more comfortable involving us in their business planning which helps us identify new opportunities.”

— Head of Sales,
Telecommunications

“The age of the deal-maker is over. The focus of negotiations and contracts has to be shifted from the terms of agreement to how trading partners are going to work together. I’m not saying contracts don’t matter — but relationships matter more.”

— VP Contracts Administration,
Aerospace & Defense

“If we were to view a lot of these relationships as more long-term and open the communication lines on both sides, I think we’d get about 30% more value. To get the major value out of the relationship, you need to take a little leap of faith and if they don’t earn it, you can push back later. I think both parties tend to be too cautious at first.”

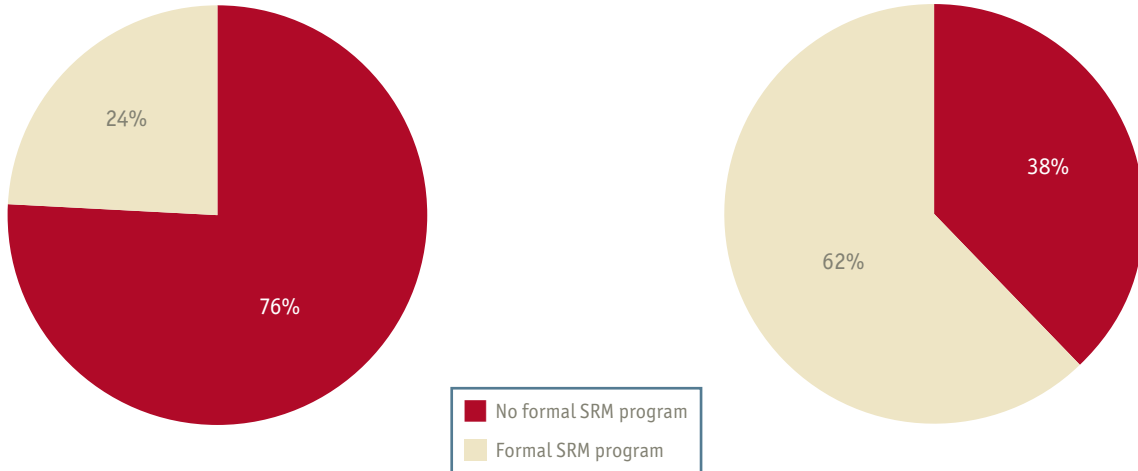
Contracts and Negotiation
Manager, IT

Companies with a formal SRM program report realizing greater value through strategic sourcing

Graph 48

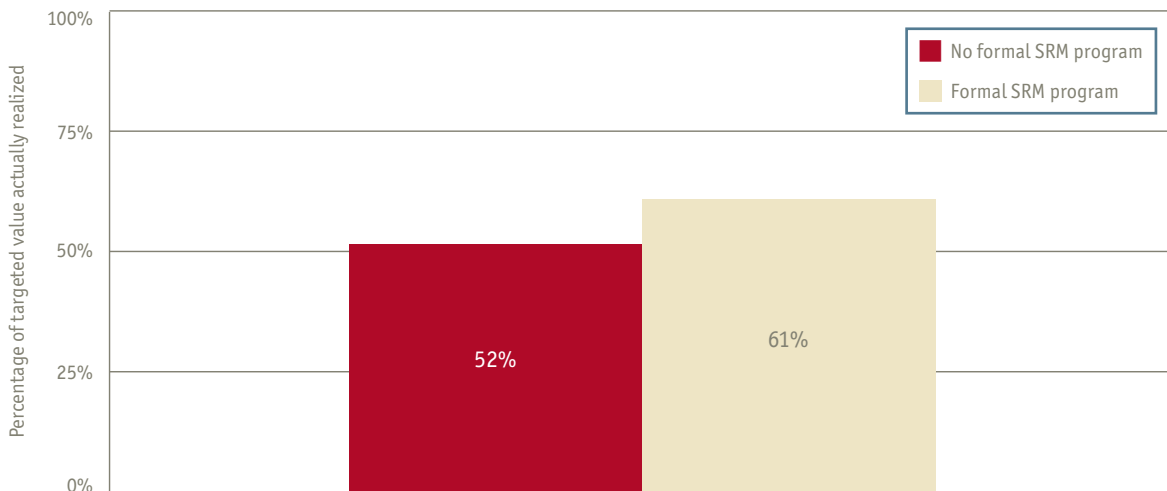
Bottom 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized

Top 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized



Companies with a formal SRM program report realizing greater value through strategic sourcing

Graph 49



Lack of negotiation skills is a significant problem in most organizations

- Both buy-side and sell-side respondents reported a general need to increase the negotiation skills within their functional areas. As a general rule, procurement executives and professionals saw a greater need to upgrade negotiation skills than did their sell-side counterparts (especially among the many buy-side managers and executives we interviewed who had prior experience in sales).
- Top-performing organizations consistently described negotiation as a fundamental business competency — one which warranted significant training and skill development investments. Low-performing organizations described negotiation in very limited and tactical terms, and generally reported minimal investments in negotiation training and skill development.
- Both buy-side and sell-side respondents (most of whom were sales, procurement, or contracts executives or professionals), perceived individuals in technical and financial roles within their organizations as having the lowest level of negotiation competency.
- Given the importance of financial analysis to negotiating and evaluating complex deal structures, and the degree to which successful implementation depends upon technical expertise (both to develop solutions during negotiations and to implement those solutions post agreement), this is a serious problem.
- Our analysis indicates that many buy-side and sell-side professionals try to limit the involvement of business and technical stakeholders during negotiations due to concerns that they will say or do things that undermine leverage or otherwise create disadvantage during the negotiation process. (Ironically, such actions are often what lead stakeholders to work around commercial processes and policies — this is particularly true with respect to sourcing and procurement.) Such concerns are, in our experience, a matter of both perception and reality. Regardless, upgrading negotiation skills for all those with a role to play in developing and implementing agreements is a major opportunity for most organizations.

“I don’t mind negotiating with a demanding procurement counterpart, as long as they’re competent — which they rarely are. What is frustrating is to try to negotiate with people who don’t understand my solution, my business, or even their own business. How do you negotiate with someone like that? They don’t have the tools to negotiate — all they can do is make arbitrary demands.”

— Sales Executive, IT Hardware

“The problem [with negotiations] is in many cases driven by the culture of the procurement organization and I say that with profound disrespect because I was in procurement for a long time.”

— VP Contract Administration, Print Services

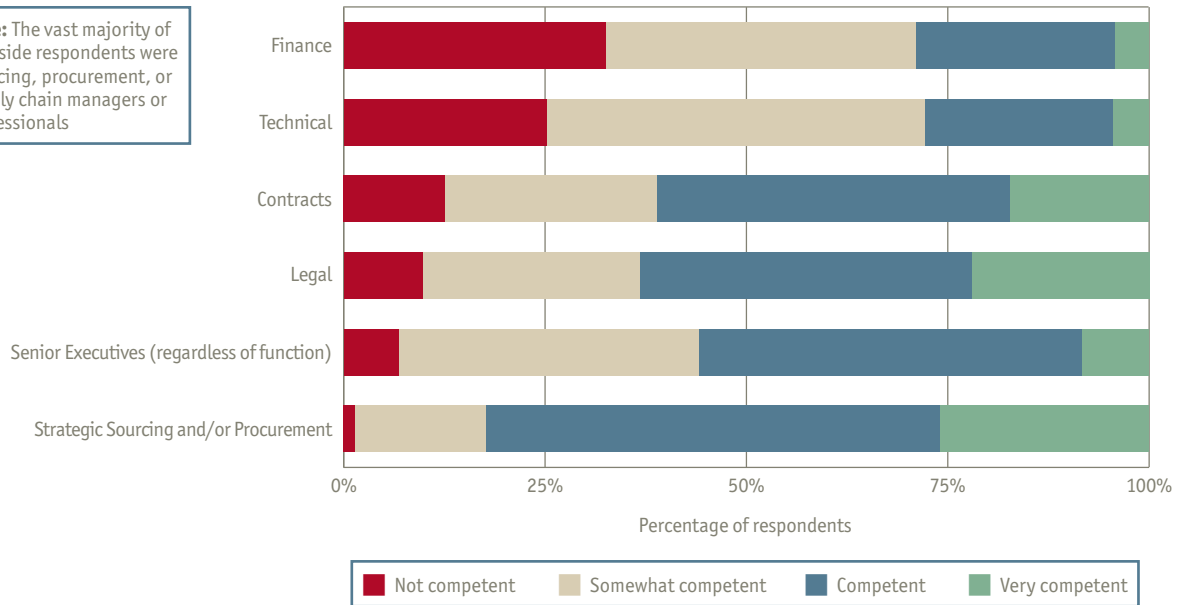
“We’re trying to build the knowledge and skills in our procurement and contracts staff so they can be effective problem-solvers during negotiations. This is a big change. We need them to be more creative and more flexible. Being rigid and stubborn during negotiations doesn’t limit risk, it exacerbates it.”

— VP Sourcing, Consumer Products Company

Buy-side respondent assessment of average negotiation competence of various buy-side groups

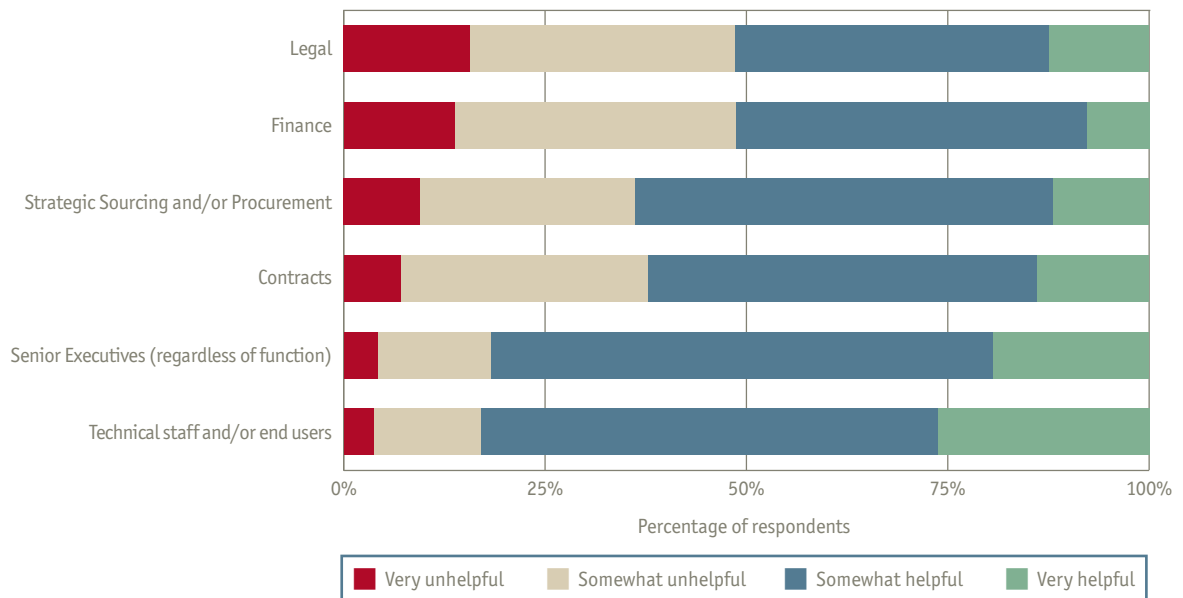
Graph 50

Note: The vast majority of buy-side respondents were sourcing, procurement, or supply chain managers or professionals



Sell-side perceptions of the degree to which various buy-side groups play a constructive role during negotiations

Graph 51



Suppliers report significant frustration with Procurement

- Sell-side executives and professionals report significant frustration with procurement groups at their customers. They cite an over-emphasis on unit price (versus a more comprehensive focus on total cost of ownership or total value based on ROI calculations), an unwillingness or inability to conduct apples to oranges comparisons (which often leads to a narrow focus on price — even when sourcing complex materials or services), and often a lack of professionalism and respect (poorly constructed RFPs, inconsistent communication during bidding and negotiation processes, failure to honor timelines and commitments, etc.).
- Moreover, many sell-side participants cite an accelerating trend of procurement organizations limiting contact with end-users, even as the procurement organization itself seems to have only a limited understanding of end-user needs and expectations. The implementation of greater sourcing and purchasing discipline is an important achievement, but in enterprises where procurement has not developed the competencies and built the internal credibility and relationships to act as a trusted advisor to end-users and profit and loss owners, the benefits of greater commercial discipline come at an unacceptably high price (namely, the negotiation of supply contracts that cannot be effectively implemented and that do not meet the needs of the business).
- At the same time, sell-side participants in the study recognize their own complicity. They acknowledge that their actions are often driven by a focus on short-term financial objectives and that poor alignment between sales and delivery teams in their own companies, and across business units working with common customers, often lead to sub-optimal contract execution. In fact, incentives that reward the wrong negotiation focus and approach was, by a significant margin, noted by sell-side respondents as the most significant barrier at their own organizations to maximizing value in negotiations with customers.

“When dealing with procurement processes, the only way to make it better is to break it. Customers have been creating more and more stringent processes. I just don’t see how we can continue to conduct business that way. It’s often only by working closely with the customer’s technical team — and the team saying, ‘We need this company...’ that we can reach a deal.”

— Regional Contract Manager,
Manufacturing Sector

“It is not in our interest to run suppliers out of business, but unless we know what their cost drivers are, it is very hard to make sure we are not doing that, and frankly, we might be beating them up on price when we don’t even realize it.”

— Procurement Director, Consumer
Healthcare

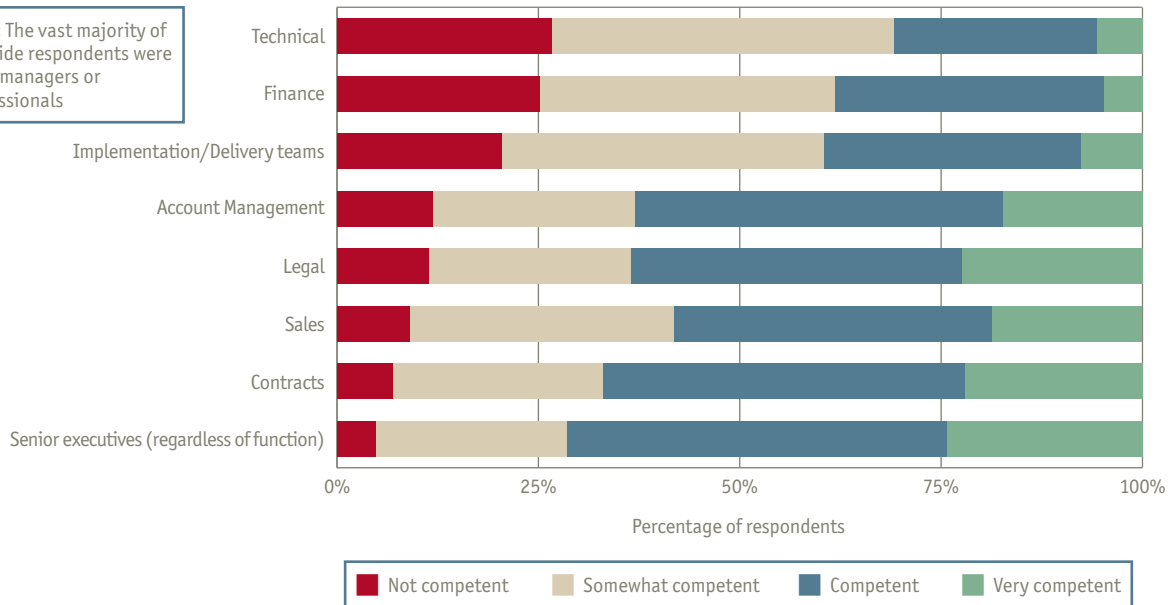
“I hired some people who hadn’t done purchasing before in their life. It made a difference. They hadn’t been here for 30 years, thinking, ‘we can’t do that.’ We do have a lot of folks like myself who’ve been here a long time and really aren’t that anxious to change.”

— Manager Strategic Sourcing,
Transportation

Sell-side respondent assessment of average negotiation competence of various sell-side groups

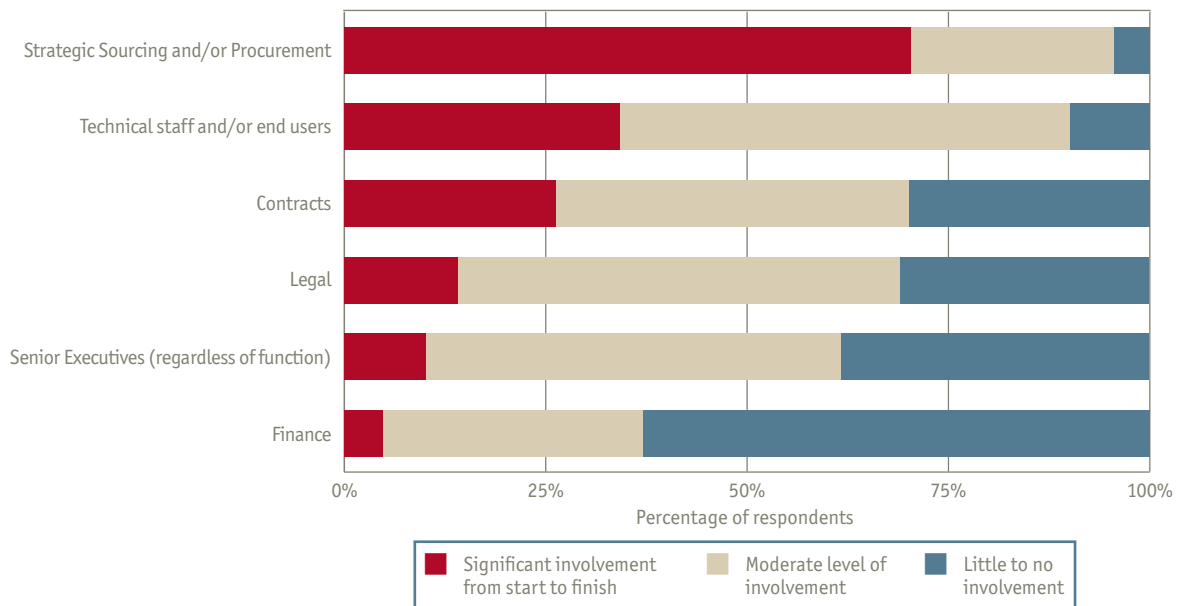
Graph 52

Note: The vast majority of sell-side respondents were sales managers or professionals



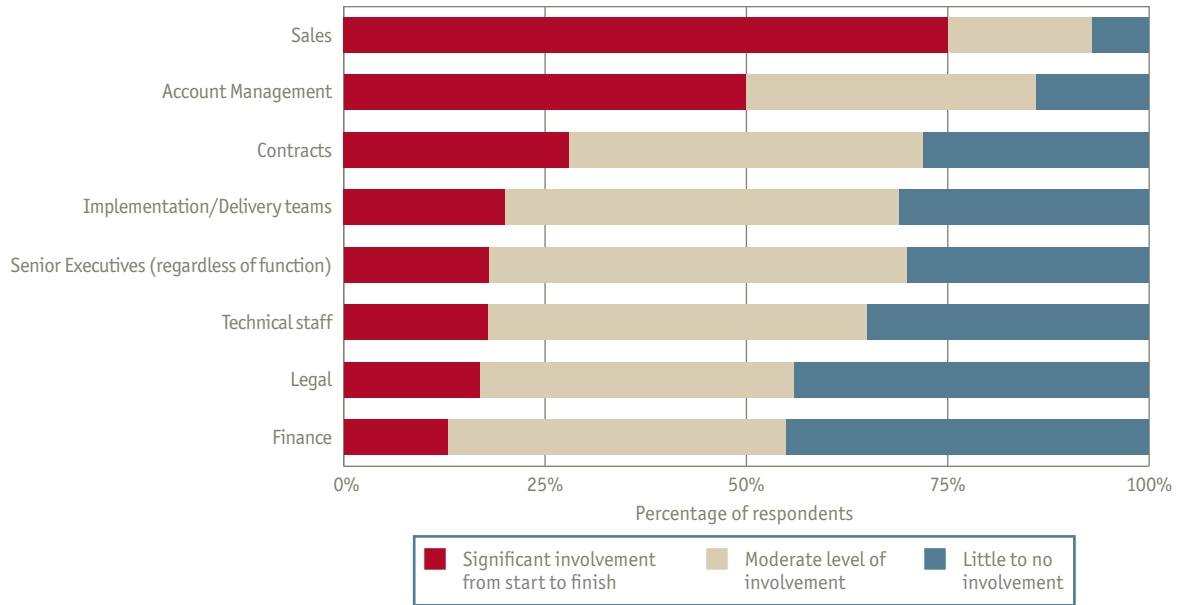
Degree of involvement in supplier negotiations from various buy-side groups

Graph 53

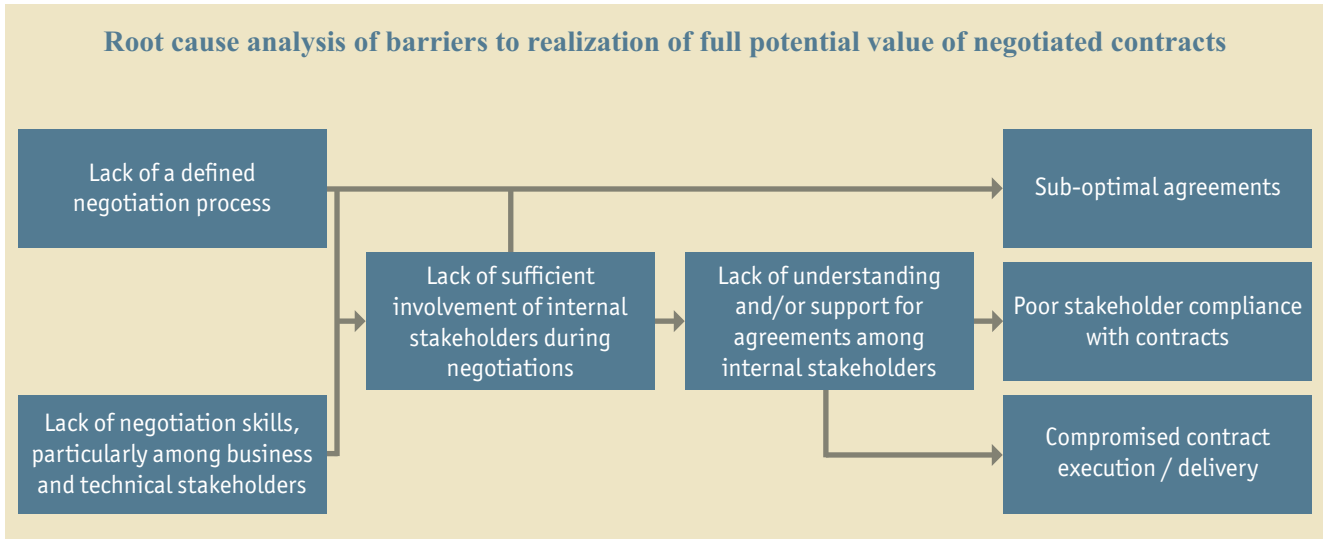


Degree of involvement in customer negotiations from various sell-side groups

Graph 54



Root cause analysis of barriers to realization of full potential value of negotiated contracts

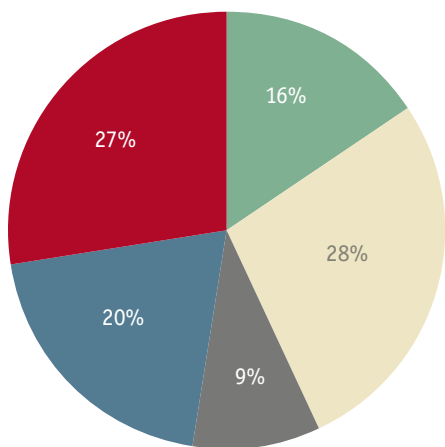


Top performing buy-side companies	
As defined by <ul style="list-style-type: none"> ■ Negotiations that are highly or somewhat collaborative ■ Negotiations that are highly or somewhat structured and predictable ■ Having an SRM program ■ Having a formal negotiation process ■ Following formally defined negotiation strategies (aligned with category management and supplier relationship management goals and strategies) 	
3 times more likely to be in the top 10% of buy-side respondents (versus the bottom 10%) of percentage of contract value actually realized during implementation	Realized, on average, 31% more of their contract value during implementation than the average buy-side respondent
5 times more likely to be satisfied with the performance and total value ultimately delivered by suppliers	Realized, on average, 37% more of the value they targeted through strategic sourcing than the average buy-side respondent

Alignment of category management, supplier relationship management (SRM), & negotiation strategies

Graph 55

Percentage of buy-side respondents

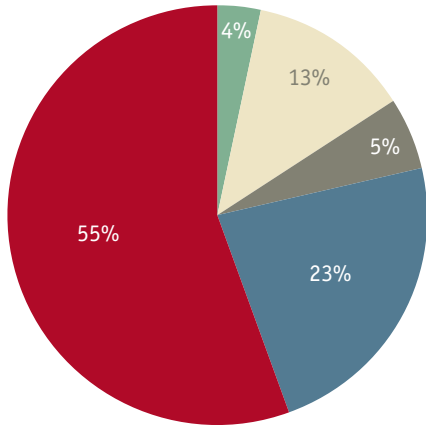


- Supplier negotiation strategies determined through a systematic process informed by category management strategies, nature of relationship with supplier, & overall goals for that relationship per SRM program
- Supplier negotiation strategies primarily determined based on type of relationship with supplier, and overall goals for relationship per SRM program
- Category management strategies are the primary determinant of supplier negotiation strategies
- Category management strategies, SRM program & strategies, & supplier negotiation strategies are not at all coordinated or aligned
- Our company generally does not follow a formally articulated negotiation strategy when negotiating with suppliers

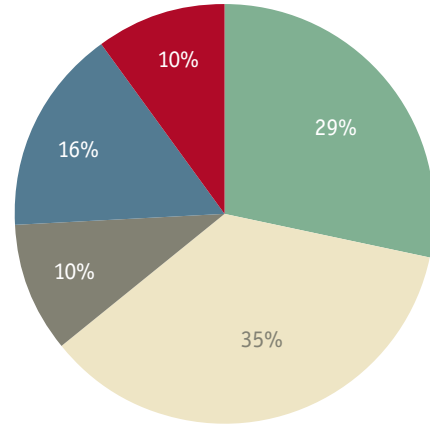
Value from strategic sourcing is correlated with alignment among category management, SRM, & negotiation strategies

Graph 56

Bottom 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized



Top 10% of buy-side respondents in percentage of value targeted through strategic sourcing that has actually been realized

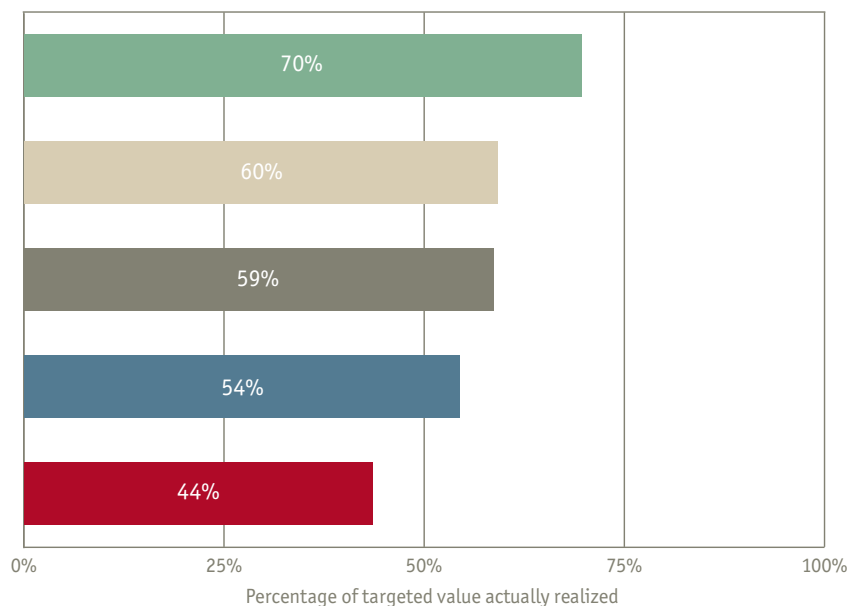


- Supplier negotiation strategies determined through a systematic process informed by category management strategies, nature of relationship with supplier, & overall goals for that relationship per SRM program
- Supplier negotiation strategies primarily determined based on type of relationship with supplier, and overall goals for relationship per SRM program
- Category management strategies are the primary determinant of supplier negotiation strategies
- Category management strategies, SRM program & strategies, & supplier negotiation strategies are not at all coordinated or aligned
- Our company generally does not follow a formally articulated negotiation strategy when negotiating with suppliers

Alignment among category management, SRM, & negotiation strategy is correlated with more value from strategic sourcing

Graph 57

- Supplier negotiation strategies determined through a systematic process informed by category management strategies, nature of relationship with supplier, & overall goals for that relationship per SRM program
- Supplier negotiation strategies primarily determined based on type of relationship with supplier, and overall goals for relationship per SRM program
- Category management strategies are the primary determinant of supplier negotiation strategies
- Category management strategies, SRM program & strategies, & supplier negotiation strategies are not at all coordinated or aligned
- Our company generally does not follow a formally articulated negotiation strategy when negotiating with suppliers



Summary of best practices for building organizational negotiation competency

Formally defined negotiation process	Negotiation tools and job aids	Individual negotiation skills development	Supportive management systems
<p>Full integration with sales/strategic sourcing processes</p> <p>Close alignment with relationship management (KAM/SRM) goals & strategies</p> <p>Clearly defined & audited preparation activities</p> <p>Deal review checkpoints by cross-functional executive committees</p> <p>Selected auditing & after-action reviews of key negotiations</p> <p>Formal hand-offs or transition processes to support contract implementation</p>	<p>Negotiation strategy playbooks</p> <p>Negotiation preparation checklist & templates</p> <p>Job aids for analyzing & developing sources of negotiation leverage</p> <p>Standard contract templates</p> <p>Contract terms & conditions trade-off matrixes</p> <p>Standard contract terms & conditions FAQs for trading partners</p>	<p>Cross-functional (sales, procurement, delivery, end-users) negotiation training</p> <p>Negotiation training is focused on a principled & strategic approach, versus tricks & tactics</p> <p>Cross-functional Negotiation Center of Excellence</p> <p>Development of “negotiation black-belts” inside & outside commercial functions</p> <p>Systematic rotation of individuals in and out of commercial negotiation roles — & between sales & procurement</p>	<p>Negotiators given direction & latitude to achieve business objectives, versus narrow mandates with limited contextual explanation</p> <p>Negotiator incentives focus on rewarding achievement of total long-term value (at cost of greater complexity and some subjectivity)</p> <p>Incentives of negotiators & those responsible for delivery/implementation are closely aligned</p>



Appendix A

Statistical measures not shown in charts



Specific values for Spearman's rho

- Graph 10 — 0.346
- Graph 11 — 0.334
- Graph 14 — 0.436
- Graph 16 — 0.358
- Graph 19 — 0.257
- Graph 40 & 41 — 0.431
- Graph 44 & 45 — 0.340
- Graph 48 & 49 — 0.381
- Graph 56 & 57 — 0.561

Spearman's rho value	Interpretation
0 – (±) 0.2	No correlation
(±) 0.2 – (±) 0.4	Low correlation
(±) 0.4 – (±) 0.6	Moderate correlation
(±) 0.6 – (±) 0.8	Significant correlation
(±) 0.8 – (±) 1.0	High correlation



Appendix B About Vantage Partners & Collaborating Organizations



About Vantage Partners

Who is Vantage Partners

- Vantage Partners is a management consulting firm and a spin-off of the Harvard Negotiation Project

Vantage Partners Mission

- Drive measurable business results by transforming the way companies negotiate with, and manage relationships with, key business partners

Practice Areas

- Sourcing and Supplier Management, Outsourcing Governance and Relationship Management, Key Account Management, and Strategic Alliance Management

Related work

- Partners of Vantage serve on the faculty at Harvard University, the Tuck School of Business at Dartmouth, and the US Military Academy at West Point, and also co-founded CMG, a non-profit organization dedicated to addressing international conflicts (now part of Mercy Corps).

About The Conference Board

What is The Conference Board

- We publish information and analysis, make economics-based forecasts and assess trends, and facilitate learning by creating dynamic communities of interest that bring together senior executives from around the world

The Conference Board Mission

- To create and disseminate knowledge about management and the marketplace to help businesses strengthen their performance and better serve society

The Conference Board Membership

- Consists of more than 2000 member companies in nearly 60 countries worldwide

About IACCM

What is IACCM

- IACCM is a global community of senior contracts, sourcing, and commercial management executives and managers

IACCM Mission

- To help our worldwide members develop innovation, best practices, and operational excellence within their organizations, and ultimately, through sharing these goals and methods, to raise professional status and practices on an international basis

IACCM Membership

- Consists of more than 5,000 members and an extended network of more than 1,600 corporations from more than 90 countries (including 242 of the Global 500)



About ISM

What is ISM

- The largest supply management association in the world, ISM is a not-for-profit association that provides opportunities for the promotion of the supply management profession and the expansion of professional skills and knowledge

ISM Mission

- To lead the supply management profession through its standards of excellence, research, promotional activities, and education

ISM Membership

- Consists of more than 40,000 supply management professionals with a network of domestic and international affiliated associations



About SMEI

What is SMEI

- SMEI is a worldwide organization for sales and marketing executives that is dedicated to ethical standards, continuing professional development, knowledge sharing, mentoring students, and advancing free enterprise

SMEI Mission

- To provide a personal and professional community devoted to providing knowledge, growth, leadership, and connections between peers in both sales and marketing

SMEI Membership

- Consists of more than 10,000 members around the world



About Vantage Partners

Vantage Partners, a spin-off of the Harvard Negotiation Project, is a management consulting firm that specializes in helping companies achieve breakthrough business results by transforming the way they negotiate, and manage relationships with, key business partners. To learn more about Vantage Partners or to access our online library of research and white papers, please visit www.vantagepartners.com

