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## The Art of Contract Negotiations

Negotiation is an art and a science! Today's technology—along with business practices and systems—have made negotiating a science.

"Contract negotiations" covers the aspects of planning, conducting negotiations, and the actual development of the formal contract document, which may include service level terms.

The importance of a well-drafted contract cannot be overstated. A business contract states the terms and conditions of any business transaction and is a form of communication. A well-defined contract clearly defines the responsibilities and deliverables of all parties and also anticipates problems that may arise prior to a project or service being completed. Price is always an important factor in negotiation, but the cost associated with terms and conditions in the actual contract can outweigh pricing discounts.

The mechanics of negotiation are very important and must be understood at the beginning of the negotiation process. The composition of a negotiating team is of paramount importance. A single voice and stance with the other party should be established early in the process.

Successful contract negotiation will lead to reduced risk, increased efficiency, lower costs, and a positive value of business relationships.

## Tips for Negotiating Contracts

- Understand the goals and objectives of the specifics of the business transaction. Have clear objectives. Understand the big picture.
- Establish the negotiation team
- Define the leader
- Determine who and what resources are necessary to have a successful outcome (legal, financial, operational, and sales). This step is one of the most important!
- Prepare for the negotiations
- Be ready to spend a significant amount of time in preparation for negotiations
- Identify the key issues from both sides of the contract. Determine the plan to deal with these issues.
- Understand who you are negotiating with. Build trust with the other party.
- Who are the other team members and what are their backgrounds and interests in this business opportunity
- Anticipate and discuss the methodology and logistics of how and when the negotiations are going to take place
- Offer to control the document writing process
- Have respect for all participants in the process
- Maintain a high level of integrity and respect of others in this process
- Avoid premature position assumptions
- Remember your strengths, remain flexible, and deal with difficult and sensitive issues as they arise during the discussions
- Document, document and document
- Maintain an accurate update of all discussions and take the time to document this with team members on both sides of the discussion
- Listen to what is being said. A lot can be learned by just listening.

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## Be Aware of Negotiating Tactics

- Understand your position
- Look for negative reactions
- Be aware of an "end run"
- Know your opponent
- Know your walk-away point
- Do not have a win-lose mindset
- Be professional—do not take comments personally and do not become emotional
- Try playing good cop / bad cop
- Silence is one of the best approaches. Silence usually makes people feel uncomfortable and is a great tool.
- Be aware of distractions from the other party

## Service Level Agreements

### What should a SLA cover?

- Introduction and purpose
- Services to be delivered
- Performance, tracking, and reporting
- Problem management
- Fees and expenses
- Customer and vendor duties and responsibilities

### Performance, tracking and reporting

- Every service/product performance must be capable of being measured
- results must be able to be analyzed and reported
- The specific targets, goals, benchmarks, and metrics must be specified in the agreement