

The Value of Adopting an Implementation-Matters Mind-Set and How to Seize that Value for Your Organization

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In *The Point of the Deal* we make the argument that when implementation matters, you have to negotiate differently than when you only care about getting the deal signed.¹ In this article we reflect a bit on some research by the International Association of Commercial Contract Managers (IACCM) about the value of looking beyond the signing of the deal, and discuss some ways that *organizations* — not just individual negotiators — can increase their capability to negotiate deals with a focus on successful implementation.

Valuing the benefit: How much can be gained from an implementation-matters mind-set?

While we are confident that there are significant financial and organizational benefits to adopting an implementation-matters mind-set, we recognize that it is also difficult to quantify these benefits with precision. There are several reasons for this:

- Many negotiated deals are unique and thus it can be hard to determine the ‘baseline’ to use when assessing the benefits of an implementation matters mind-set. Indeed, organizations rarely conduct controlled experiments where the same deals are negotiated and implemented twice using different techniques!
- When a deal is reasonably well implemented, there is a tendency to call it a success rather than ask whether there was additional value that was not captured
- When a deal fails during implementation, there is a tendency to blame the implementers and the way they managed the relationship, without a careful enough look at what they inherited from the negotiators. (Or as we’ve heard some deal makers express it “It was OK when I left it.”)

Case Study: Improving Organizational Negotiation Capabilities

One of the ten largest utilities in the world is currently re-designing their approach to supplier negotiations and contracting as well as bolstering communication between the supply chain organization and the operating divisions. This new approach combines structural, procedural, and skill-development initiatives and supports the company’s current multibillion dollar capital expansion campaign. The new approach is expected to generate hundreds of millions of dollars in negotiated savings over a five-year period, while speeding efforts to bring additional power generation capacity online.

The company has implemented a revised procurement model that includes new role descriptions, a Negotiation Center of Excellence to collect and communicate best practices, and a new certification program for lead negotiators. They have also developed and implemented new strategies for sourcing and negotiating with suppliers, along with a new, cross-functional tender and negotiation process which will increase efficiency and improve risk management controls.

In concert with these changes, the company has also implemented a negotiation training program that will cover hundreds of people in the procurement and supply chain organization, as well as hundreds of additional individuals outside procurement who are involved closely in supplier negotiations.

- Some of the benefits of focusing on implementation are seen over the course of a relationship which may well encompass multiple deals, and thus are difficult to allocate to a particular transaction

One source of information on the value of an implementation-matters mind-set is a study conducted by IACCM evaluating post-award contract management processes. While effective hand offs and good post-award contract management processes are not the only elements of an implementation-matters mind-set, they are good examples of what organizations who focus on execution of the

deal and not just closing the deal do to ensure they reap the value of their negotiations.

IACCM's research identified five areas which demonstrate the benefit from improved contract management practices:

1. An improvement in the time required to achieve transition/implementation of new contracts
2. Reductions in the frequency and nature of implementation difficulties, including unauthorized or poorly evaluated commitments
3. A 7-9% reduction in the number of troubled projects
4. A 12-15% reduction in the frequency of contract-related disputes
5. A 6% improvement in the number of contracts which achieved or exceeded expected revenue during the contract lifecycle²

We believe these benefits are representative of the benefits companies can realize from successfully instituting an implementation-matters mind-set. What such improvements translate into in terms of bottom line value, of course, depends on the numbers and sizes of the deals that your organization negotiates. Vantage's experience shows that the benefits do directly flow to the bottom line:

- A professional services firm realized over \$42 million as a direct increase in their bottom line after instituting organizational negotiations capabilities
- An HR consulting firm reported a 17% reduction in firm write-offs. This benefit was calculated to be the equivalent of increasing sales by nearly 38%
- A media and entertainment company found year-on-year savings of over \$200 million between corporate sourcing and business unit procurement teams

This data suggests that not only is the benefit from adopting an implementation-matters approach significant, but it is realized across the business in the form of top-line revenue growth, increases in bottom-line profitability, and reduction of risk. Not specifically quantified in the study, but of real ongoing value for companies, is the future benefit which will accrue from the superior relationships and business results that the data demonstrates are being created. In a tightening economy with ever-increasing pressure on margins, these benefits can make the difference between breaking even and turning a profit.

Of course, everyone wants to do better financially — the question is, how can an organization move from its current state to one where it can realize this level of benefit from improved negotiation of deals?

Orienting an Organization to the Implementation-Matters Mind-Set

Traditional wisdom treats the negotiation and signing of a deal as separate from its implementation. Procurement, sales, or business development teams negotiate the deal and then 'someone' on the operations side takes over — delivering, implementing, integrating, or whatever else the negotiators have committed them to do. It is no surprise that all too often deals that look good on paper do not deliver the projected value when implemented. Many of those failures have their roots not in the 'tough market conditions' or 'slip-ups in operations' but rather in how the deals were negotiated. These failures are not just individual ones, either — they are often the result of organization structures and processes that fail to create the proper environment for negotiating deals that are likely to realize the value they were designed to achieve.

Here are six common organizational mistakes that lead companies to negotiate deals that miss the point.

1. Creating a separate deal department that is divorced from business unit needs
2. (Over)-relying on third parties to do deals
3. Using dealmaking metrics that focus on completion of deals
4. Allowing negotiators to "protect the deal" during the process
5. Making it difficult for the negotiator to say "yes"
6. Making it difficult for the negotiator to say "no"

How can a company prevent these mistakes and improve the value realized from the deals it completes? The solution is a combination of behavioral, structural, and developmental changes that work together to improve the way your negotiators think about dealmaking and how they conduct their negotiations. In short, these five suggestions are a blueprint for building your organization's negotiation capability if you believe that implementation matters.

Orient your negotiation process towards implementation

It sounds simple, but one of the most powerful ways to change how negotiators approach deals is to describe, in detail, what steps the organization believes need to be included in the negotiation process and include in these steps key aspects of the implementation process. Different organizations will have slightly different processes, but several common aspects of this include:

- Draw a road map of the negotiation
- Link deals that are being negotiated to their business purposes
- Build stakeholder involvement explicitly into the road map
- Clarify where implementers are involved in negotiation
- Clarify where negotiators are involved in implementation

Make sure negotiators have tools adequate to the job

Many companies provide negotiators two primary tools for reaching a deal: an economic valuation model which ‘rates’ the deal and a list of concessions that are either sought from the other party or that you are willing to make yourself. We have found that limiting negotiators to these two tools focuses negotiators on the wrong issues. As is often said, if the only tool you have is a hammer, every problem begins to look like a nail! Thus, we believe that providing a more robust set of tools for negotiators is a key step to facilitating better deals. Some key tools that we think should be available during negotiations include:

- Preparation tools specifically tailored to the company’s negotiation roadmap ...and a commitment from management that use of these tools will be an organizational priority
- A reliable and effective method to map stakeholder relationships for each deal
- A structured and realistic risk management tool that focuses on defining risks, preventing those risks, and mitigating harm from them rather than simply trying to shift risks to others via contractual clauses
- A recognition that negotiators often create precedents — both good and bad — during negotiations,

and a way to think systematically about what kinds of precedents would help, or hinder, implementation.

Enhance their skills — in context

It’s easy to say that negotiators should have ‘more skills’ as part of a solution, but we have found that the key to making these skills relevant is tying them to the organization’s negotiation road map.

For example, training your negotiators that it is crucial to identify and engage stakeholders is a good thing. But what makes this training most effective is to also include targeted skill development on the best ways to identify and engage stakeholders, how to listen and learn to these stakeholders, and how to build buy-in towards possible solutions.

To be most effective, this skill development requires a broader organizational context. If you want your negotiators to truly embrace the new approach, don’t conduct a training where your negotiators go off-site for a few days by themselves and learn new processes, approaches, and terminology that is foreign to the rest of the organization. Instead, involve the negotiator’s managers, their business unit counterparts, and their peers in some of the training as well.

Create a mind-set conducive to deals that can be implemented

Changing the mind-set of individual negotiators is difficult. Negotiators, almost by definition, need a fair amount of independence to do their jobs. However, this does not mean that an organization cannot incentivize the right kind of approach to these negotiations, either. Since each organization, and each individual negotiator, is different there is not a ‘silver bullet’ solution to this challenge, but we’ve seen organizations use the following approaches with success:

- Tell your negotiators what the purpose of the deal is (e.g. to benefit from actions the parties will take after the deal is signed), why implementation, and not just signing the deal, matters, and how the negotiation of the deal will impact the success or failure of the implementation
- Measure not only critical business outcomes but also the activities along the way to those outcomes. A well-balanced scorecard that looks not only at deal

terms but also considers the level of preparation, the engagement of critical stakeholders, and the level of discussion of difficult topics will create the right incentives for negotiators to complete deals in a way that supports implementation.

- Make sure that your metrics focus on what truly matters to your organization, not just what is easy to measure. Similarly, make sure that you remove disincentives (both structural and compensation-based) to doing deals the right way.
- Support the implementation-matters mind-set up and down the organization, amongst managers as well as line negotiators.

Get the structure right

We'll be honest — focusing on structure scares us a bit. There are many organizations that go about changing reporting relationships as their primary solution to the kinds of challenges we've been describing, and while it is a useful step it is rarely enough to truly change organizational priorities. However, we do believe that having an appropriate structure in place, one that facilitates the right considerations for individual negotiators, can reinforce the other approaches we've described.

So, what is the right structure? We think the focus should be on some critical questions rather than a particular 'model' org chart. The key question to ask about your organization's structure is whether it supports negotiators doing the right things — does it provide a clear set of roles and responsibilities for negotiators? Does it insure that the negotiators possess the right tools and skills to carry out these processes? Does it insure that management will monitor and support these processes? If so, then the structure is a good fit for your organization.

One structure that we've seen work in companies is to be sure that negotiators have close ties to the business unit they are negotiating deals for. Such a structure should include a clear process to involve critical stakeholders, discuss difficult issues, and metrics and incentives calibrated to implementation goals. Whether you accomplish this through a Center of Excellence approach, a community of practice, or a complex matrix structure is to us less important than making sure that the right messages are sent,

roles are clear, and the supporting tools and processes are in place.

Making sure that your organization's deals deliver on their promise, and that what looked good on paper turns out to be great in practice, is a critical challenge for managers everywhere. No one ever wants to have to announce that they have missed earnings not because they couldn't make their sales targets, but because their deals underperformed during implementation. In today's complex and interrelated world, and with a challenging global economy, it's never been more important to make sure your deals really do pay off.

About Vantage Partners

Vantage Partners is a management consulting firm that specializes in helping companies achieve breakthrough business results by transforming the way they manage their most important relationships. We are a spin-off of the Harvard Negotiation Project, and authors of numerous books and articles in leading journals like the Harvard Business Review on relationship management between individuals and organizations.

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