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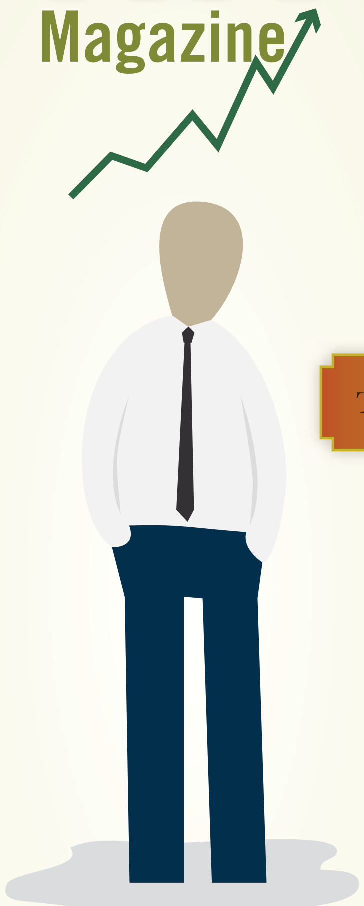
from the eyes of industry leaders



THE EXECUTIVE DILEMMA

PROMOTE MY TOP SALESPERSON TO SALES MANAGER?

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LOOKING BEYOND

BY VALERIE GRUBB

Books and classes abound on mastering the art of negotiation. Typically, they're full of recommendations for how to identify the other party's motivations in order to obtain the best deal for your company. Whether you believe in a "take no prisoners" philosophy or prefer a "win-win" strategy, the lessons learned really center around settling on a price point on which both sides agree.

The problem with this thinking, though, is that if you focus only on price, you may overlook key benefits that are just as important as the final dollar amount. In fact, the best negotiations don't necessarily result in getting what you want at the cheapest possible price. Instead, it's the overall value to the company's bottom line that yields the best deal for your company.

Don't get me wrong: price will *always* be a main driver in a successful negotiation (especially to the CFO). But the HR executive would be wise to consider factors beyond price that can help drive value for the overall deal and help organizations achieve their goals and objectives.

It's important to understand that value does not equal price. Price is determined by supply and demand. True, value plays into demand (just ask anyone lost in the Sahara Desert how much he or she would pay for a glass of water!), but the two are not one and the same. As Warren Buffet famously declared, "Price is what you pay. Value is what you get."

To look beyond the price point, consider these five factors:

1. QUALITY

Even the most seasoned negotiators often overlook this particularly important factor. If we define quality as "meeting or exceeding customer expectations," then we must also define who the customer is and what his or her expectations are.

For example, a company's employee assistance program (EAP) could benefit from prenegotiated standards. Instead of (or in addition to) a goal requiring calls to the EAP to be answered by a certain number of rings, how about instituting a requirement that employees must complete surveys after using the service? The survey could examine topics such as whether the employee's situation improved after using the EAP, if assistance was offered quickly and efficiently, or if the employee was repeatedly referred to different professionals for assistance. Before rolling out an EAP, surveying your employees about their definitions of quality can go a long way in ensuring the program's success beyond the dollar figure in the contract.

2. EMPLOYEE TRAINING

Many employers are rolling out HRIS implementations that allow employees greater control over administrative tasks that used to be handled by HR (designating beneficiaries, withholding, 401[k] designations, mass transit or other benefit allocations, etc.). However, breaking the bond between employee and HR—and actually having employees use the system—can pose quite a challenge. So insist on training not just at rollout, but also three or six months later to ensure that old employee habits are broken.

Remember: asking employees to manage their own information requires a culture shift. And as the seasoned HR executive knows, culture shifts rarely occur in a "one and done" fashion. Therefore, keep the vendor on the hook for making sure that employees are well versed in the system so that HR can actually step back (and focus on other tasks).

THE PRICE POINT

3. PAY FOR PERFORMANCE

In essence, your employees are paid to perform. If they don't, there is the chance that they will be released from the company. If that is the typical arrangement for what most companies consider their greatest asset, why wouldn't a company expect (and put in writing) the same arrangement for a vendor?

For each vendor with whom you do business, determine what defines extraordinary performance, then build that definition into the contract along with concrete measurement parameters (just as you do with your employees). Also include in the contract the consequences for the vendor's failure to meet performance requirements and the steps both sides will take to improve conditions (before the contract is terminated).

For example, why not tie the success of your health and wellness programs to a reduction in preventable employee insurance claims? Accidents happen, but if a vendor is selling those types of programs, the true measure of their success is a reduction in areas such as sick days and preventable claims. And if you aren't seeing those reductions, then you can approach the vendor about the definitions and consequences detailed in the contract.

4. PAYMENT TERMS

HR executives are used to paying recruiters only after services are rendered (usually after a certain number of days after an employee placement); this practice helps guarantee that the placement is a success and that the employee stays with the company. However, extending payment terms to after the fact works well in conjunction with paying for performance standards (see "Pay for Performance"). Asking vendors to put "skin in the game" to back up their commitment to exceptional performance standards will ensure that they deliver high-quality service month after month.

5. AFTER-SALES SERVICE AND MAINTENANCE ARRANGEMENTS

How many times have you purchased a new system only to wait days to get answers to your post-rollout questions? When negotiating with vendors, it's critical to make sure that they will answer your calls and questions in a timely fashion. Remember, you're only helping yourself (or your team) by getting service-level agreements (including free or discounted upgrades) up front and in writing during the negotiation. If you're purchasing an HRIS, ATS, payroll system, or other software, for example, put in writing a requirement that the help desk be available during your business hours (or within a certain number of rings) and solve problems within an agreed-upon timeframe.

As a final thought, doing your homework on the company with whom you are negotiating is good business practice. As part of your pre-planning, think about what other services the vendor offers that may benefit your company. By understanding the vendor's total portfolio, you can then suggest value-added services that are part of the vendor's day-to-day practices. Such services carry incremental costs that do not really affect the vendor's bottom line and can often be implemented easily—and yield great benefits for your organization. ■

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