

SSM 42 - DESIGNING AND MANAGING EFFECTIVE CONTRACTS

Introduction

The ability to negotiate successfully is one of the most basic of the business person's skill sets. Significant positive or negative impacts are made to every organization's bottom line from the results of the negotiations conducted by their employees either with internal or external customers or suppliers. Therefore, it is essential for the continued success of any organization that employees are well trained and experienced in the planning, strategies, and conducting of negotiations. This seminar is designed to provide strong competencies in the methods and strategies that will result in successful negotiations with suppliers and contractors.

Seminar Objectives

Upon completion of this seminar, participants will:

- Understand the importance of planning and preparation in successful negotiations
- Be able to identify various approaches and styles in Negotiations
- Appreciate how to determine, rate, and value the issues in a negotiation
- Enhance their knowledge in the practice of competitive purchasing and link this to the negotiation
- Review and understand the cost drivers in the purchasing cycle
- Understand supplier margins by knowing how suppliers derive prices through the cost recovery method
- Be able to use a model for determining strengths and weakness of both parties
- Be aware of the importance and impact of various contract clauses
- Recognise the need to discuss the issues before negotiation
- Understand Common negotiation tactics & countermeasures
- Gain experience through the actual negotiation of sample cases

Organizational Impact

The organization will benefit by:

- Improved efficiency and effectiveness of their staff in contract negotiations
- Reduced total cost of purchased material, equipment and services
- Improved buyer/supplier understanding and relationships
- Better outcomes in disputes and claims between suppliers and contractors
- Improved supplier performance
- Having the advantage in negotiations as a result of their employees being better prepared and trained than the employees of the other side.
- Greater likelihood that objectives in dealing with outside firms will be met.

Personal Impact

Attendees will gain by participation in this program as a result of:

- Increased skill sets in negotiations
- A greater sense of confidence and professionalism
- Applying increased negotiation skills to personal situations
- Greater ability to obtain desired outcomes in negotiations
- Increased recognition by the organization due to improved performance

Who should attend?

Managers and professionals involved in projects, contracts, purchasing, operations, maintenance, engineering, quality and other company activities that expose them or their staff to negotiations with contractors and suppliers and who want to improve their competency in this critical area of performance.

COURSE OUTLINE

Session 1: Negotiation

- Introductions
- Purpose of the programme and objectives
- Negotiation – a definition
- The four phases of negotiation
- The three types of negotiator – red, blue and purple

Comparing Approaches in Negotiations

- Win/Win Win/lose or lose/lose approach
- Exercise: Defining Negotiation Skill sets

Preparing for a negotiation

- Preparation-the critical first step?
- The most important thing to remember in negotiations
- Steps in Negotiation Preparation

What is negotiable?

- Identifying the “tradables”
- Entry & Exit Points
- Prioritizing

Time – reality or perception?

- Business cycle and Market conditions
- Lead-time
- Time limits – time as a tactic

Session 2: The Purchasing Process

- Supplier/buyer positioning
- Rights and obligations of both buyer and seller
- Raising and managing competitive invitations to tender
- Requirements definition and prioritizing – the prelude to the negotiation
- Tender evaluation criteria – ranking and weighting
- Evaluating the proposal
- Assess Strengths & Weaknesses
- Setting the negotiation strategy
- Pricing & Payment terms
- Interim Payments – stage or milestone
- Through life costs and considerations
- Cost drivers - Transportation issues – title and risk transfer
- Cost implications of inventory - JIT
- Volume, Specification and Quality Standards

Session 3: The Supplier's View

- Understanding elements of supplier cost to price structure
- Understanding Supplier margins
- Reducing Supplier prices without attacking their margins

Contracts and Special Clauses:

- Types of contract
- Warranties – standard, extended, design defect
- Conditions – the core of the contract
- Acceptance criteria – who, what, how, where and when
- Spares, repairs, documentation and training
- Failure to perform – remedies including Liquidated damages

Contract Price Adjustment Criteria

- Fixed price or firm price?
- Contract Price Adjustment Criteria & Clauses
- Use of Price Indices

Session 4: Preparing the Negotiating Strategy

- The Discussion Phase
- Team or individual negotiations
- Preparing the team for pre-negotiation discussions
- Confirming assumptions about initial positions
- Negotiation objectives matrix
- Information gathering and recording
- Impact of available competition

Final Preparation

- How to handle the issue of authority
- Determine strategies
- Where and when
- Planning the agenda
- Team negotiations and roles

Session 5: Common Negotiation Tactics & Countermeasures

- Non-verbal communication
- Undermining
- Delaying Action
- Questioning
- Concessions
- The "if" Statement
- Comparative Options

Final Learning Review and analysis

- Delegate feedback forms
- Analysis against objectives