

2016 NASPO Cronin Award Nomination

Professional Development in Negotiation Skills
on Behalf of a State



State of Wisconsin

Submitted by:
Wisconsin Department of Administration
State Bureau of Procurement

Executive Summary

State governments across the country are constantly being charged to do more with less, and the State of Wisconsin is no exception. One of the first places state government looks to save money is in its contracting and strategic sourcing efforts. How can we spend the least and gain the most? Successful procurement professionals create an ever-growing list of creative answers to this question, and most of those answers involve developing mature negotiation skills with procurement staff.

In Wisconsin, procurement activities occur in a decentralized environment. Our state is “center-led,” in that we have a central State Bureau of Procurement (SBOP) in the Department of Administration that covers administrative functions and leads enterprise contracts. Most of our state agencies negotiate contracts directly and are delegated to conduct these activities on their own, but they rely on SBOP’s training program to teach their staff how to conduct procurement activities properly.

Before the negotiation skills course, “*Negotiating on Behalf of the State of Wisconsin*” was created, the course series took the student through the procurement life cycle—starting with introductory concepts, development and management of bids, managing RFPs, and contract administration best practices. In teaching these courses, the Bureau and attendees over the years observed that there was a gap—the courses assume a procurement manager jumps right from the award of a bid or RFP into administering a successful, signed contract. In reality, we know that is far from true. How do agencies get from an award to a final negotiated agreement? For complex RFPs, how do you resolve the exceptions, terms and conditions of even the most stellar proposer? What happens if even your lowest bid is still too high?

The “*Negotiations*” class was created as a service improvement to the professional development that the Bureau was already offering, and the principles of that class are not only benefitting Wisconsin, but are fully transferrable to other states as well.

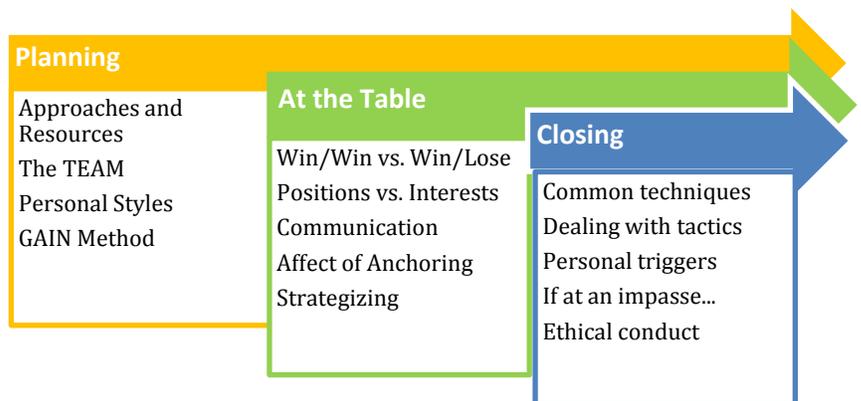
Less than one year ago, Wisconsin also implemented an ERP system to replace legacy financial and human resources systems across the enterprise. This project, known as STAR, involves a tradeoff of cost to implement with the future benefit of leveraging ERP to generate cost savings. STAR will also include the ability to leverage business intelligence data related to procurement spend that the state has not been able to do before, which will translate into a requirement for well-trained procurement staff to turn improved business intelligence into legitimate cost savings. The skills taught in *Negotiations* will be critical to this effort, as the class focus is on soft skills, focus on using data, and planning strategically for successful results.

Innovation

The Negotiations class offers an innovative approach to professional development in the state procurement field because it is a mix of traditional lecture, an independent bargaining style assessment (adapted from *Bargaining for Advantage: Negotiation Strategies for Reasonable People* by G. Richard Shell), and then a fully interactive role playing exercise that requires the participants to apply the curriculum and lessons immediately in a live group activity.

The mock negotiation exercise, *An Awesome Deal: New Computers for the New Office*, is delivered at the end of the day and requires all participants to apply the concepts they learned to the task of coming to agreement over the purchase of desktop computers and software for a newly formed state office.

Participants are randomly broken up into two teams in the morning portion of the class and are provided with confidential packets—one for the Office of State Awesomeness (State-side team) and Orange, Inc. (vendor-side team). Each packet contains confidential information that everyone on the team receives about what their group is trying to achieve in the negotiation. Each packet also contains the names and primary bargaining style (competitor; avoider; compromiser; accommodator; collaborator) for all pre-



determined roles and the teams are asked to assign those roles based on the results of their individual bargaining style assessment and intended level of participation in the table exercise.

The approach is unique in the structure of the class--instead of relying solely on lecture-style teaching, we designed the course to meet various adult learning styles, striving to make the class valuable to a new purchasing agent who is a visual learner, but also to an experienced negotiator who is an auditory learner.

This is the first time employees have been offered formal state-led training on negotiation skills, and the class is modeled to meet the needs of learners that are brand new to the topic and those that are well-versed. While there are several resources available on the topic of understanding negotiation, tackling the topic itself through hands-on training is innovative in that it is difficult to find resources to deliver this type of structured training at a rate that state governments can typically afford.

The original pilot class was done in 2013, and several classes have been held since, training over 120 participants. In the future, the Bureau intends to offer the course at least three times annually and review moving some of the lecture material to computer-based training modules to reach a broader audience with a "just in time" model and provide previous attendees with a quick refresher resource.

Transferability

Unlike many of our other classes, this course includes minimal content that is specific to the state of Wisconsin's purchasing regulations and policies. Rather, we focus on best practices, principles and soft skills related to negotiating on behalf of state government. Further, exercises are built on hypothetical scenarios that are also generic to any governmental or state entity. The principles are very portable and applicable regardless of the state in which the class' content is implemented.

The *Negotiations* class emphasizes the importance of planning and using balanced, informed team approaches to a contract negotiation which seems to be the most widely accepted approach to professional development of negotiation skills. The class also includes original concepts, manifested in easy-to-remember acronyms, reinforcing the team concept. These concepts are transferrable and appropriate for other state government procurement offices to adopt as well.

We estimate that implementation of this class in another state would require similar resources as the State of Wisconsin expends, starting with sharing the PowerPoint presentations and related material. Regarding instructors, we have (and recommend) three (3) staff (2 primaries and 1 backup) to facilitate the class. There are nominal costs required for hard copy materials, as this class requires only a modest quantity of paper for handouts.

In the future, as more computer based training is developed, a subscription to a learning management system may be required to host web-based content and perform administrative functions for the class.

The development of the course involved collaboration with our agency's legal counsel to ensure the strategies we encourage are in line with the ethical guidelines in place for Wisconsin agencies under bid vs. RFP scenarios. The regulatory and legal environment of any host state may necessitate cursory updates to any training references for this reason. However, the majority of the curriculum is based on best practice and soft skills development.

Class Content on Team Negotiation

The TEAM¹

Most successful negotiations involve teams

The Negotiation Project Manager builds a team of primary stakeholders of the contract:

Technical expert

Expert in procurement/purchasing

Attorney

Management of the program

Planning Phase²

Preparation and planning are essential to successful negotiation

The complexity of the negotiation determines the resources and approach

Employ the GAIN method:

Gather information on the other party

Assess your team's strengths and styles

Identify both parties' interests and positions

Name your Best Alternative to a Negotiated Agreement (BATNA), walk away point, tradeoffs and strategy within your team

1 Slides 23-28, Team Building section of lecture

2 Slides 30-44, Planning section of lecture

Attendee Class Feedback

"I loved the role playing. I've been the lead in contract negotiating before, but I enjoyed being able to try new styles in a safe environment."

-Quote on the Mock Negotiation Exercise

"At the beginning of the class when they were explaining what the class was and what we had to do, I was pretty sure that purchasing was not something I would enjoy. After taking the class and doing the mock negotiation, I totally changed my mind and think I would love it. The instructors did a great job of selling the position as a fun and challenging one."

-Quote on overall class value

"When to negotiate. Being aware of vendor/bidder tactics. The interactive exercise. The important points were emphasized and I could relate them to my needs."

-Quote on most valuable aspects of class

Service Improvement

There are three primary service improvements related to "*Negotiating on Behalf of the State of Wisconsin*":

First, the class is entirely customer driven and focused. After receiving feedback from our customers that there was a gap in guidance on how to successfully transition from an awarded bid or RFP to administering a signed contract, we collaborated with various stakeholders on the original course curriculum, including agency legal counsel and several Bureau staff who have significant experience negotiating in disparate markets (IT, commodities, etc). Following development, we piloted the training among representatives from multiple agencies and campuses with experience in procurement and contract management. Using a multi-question, open comment survey and in-person contact, extensive feedback was received.

Since the pilot, we have made many improvements in response to customer feedback and continue to refine as we learn what works best as more classes are held. For example, the original class included a price anchoring exercise, developed to demonstrate how a first offer can "anchor" subsequent counter offers and ultimately a final price offer. The mechanics of the exercise were difficult and based on feedback, the exercise was replaced with illustrative examples of anchoring during the lecture and more time allotted to preparing teams for the mock negotiation, which was also a request submitted by customers of the class.

The Bureau of Procurement uses a 0-5 scale to measure satisfaction, and

this class has maintained a 4.75+ average score on all measured questions such as general satisfaction and relevancy of the content to day-to-day work.

Second, the class offers a valuable tool at no charge. Because of this training, agencies are better equipped to excel in negotiations, big and small, on matters from price to terms and conditions bargained in the best interests of the state. Benefits include improving the quality of their transactions by inserting more reasonable and favorable terms to protect the state, price reductions, caps and others.

Participants in *Negotiations* range in experience from the newest purchasing agent to seasoned professional contract negotiators. This course offers content that is relevant to all levels of experience, taking students through a negotiation as a cycle. This approach is also derived from the structure of other Bureau classes where participants connect with procurement concepts when they are presented in the order they are employed in practice.

Third, while the class is now part of the Bureau's annual training series, unlike other procurement classes we do not require participants to go through any pre-requisite courses to attend. This allows staff in various classifications, who would not otherwise attend any procurement trainings, to obtain these skills. When asked "why did you take this class?", the majority of participants stated that they wanted to, compared to being required to attend, which shows that agencies see value in the service enough that they are will to commit a day of time to participate.

Cost Reduction

Regarding cost reduction, we focus on achieving this in two ways—cost savings realized from the implementation of these new skills and cost avoidance in reducing the price to the customer to obtain this training.

"I will highly recommend this to anyone. One of our strongest classes."

"This was awesome, would love to see more of this, good learning experience."

-Attendee quotes on overall class value and improved service

Demonstrated Cost Savings

The Bureau is very fortunate to have resident experts that are highly skilled in the negotiation and management of enterprise contracts. They know what to look for and are required to show the savings resulting from these efforts on every transaction. We've seen examples of documented savings and cost avoidance, using the principles taught in this class:

Automatic Call Distribution

For a large enterprise replacement of a call center solution, the state obtained:

- No cost increases for initial contract term
- Negotiated cost savings from proposal to final contract of \$2.05M
- Maintenance/support costs reduced from 20% to 16%

Major Network Services RFP

For a statewide dedicated, secure network services contract, the state obtained:

- Rate reduction over current costs of 7% (\$1.732 million)
- Six month delay in payment of managed service provider costs (\$2.05 million)

We found that these skills yield savings and produce cost avoidance opportunities. We are confident that agencies that expand skills by this training method will likely achieve similar benefits over time.

Training Cost Avoidance

The Bureau offers this training three times per year at no cost. The costs of holding the course are part of the Bureau's annual budget, which includes the cost to train state agencies on procurement best practices.

While there are other classes available on this topic, they typically all require expensive travel or expenses to hire an outside resource to train at a state facility. Outside training classes for negotiations can range from \$345 to \$1,200 on average. State of Wisconsin agencies do not have the resources to pay for such training, especially when combined with any requisite travel. By providing in-house training in this subject area, the Bureau saved the state no less than \$41,400 (120 x \$345).

Conclusion

Agility is required to meet the needs of our customers to prove that state procurement can be a strategic asset and partner. However, agility needs to be balanced with the core principles of procurement—due diligence, strategic sourcing, and stewardship. This class is a tool to emphasize the importance of sophisticated negotiation skills when representing state government. The State of Wisconsin is thankful for the opportunity to submit this application for the consideration of NASPO. Attached to this application is the class presentation, respectfully submitted as supplementary material.

Other Success Stories

Savings and cost avoidance using the principles taught in Negotiations class

Participating Addenda on NASPO Data Communications Contract

Used competitive quoting process to qualify resellers in Wisconsin to participate on the State's PA, and additional discounts (3-10% better than starting discounts) were negotiated resulting in estimated average 5% annual savings (\$1.5M/year)

Mainframe Vendor Contract Renewal

Achieved \$484,647 savings (8%) plus three tools at no cost with an estimated value of \$4.8 million plus no future costs for the tools related to mainframe upgrades

Contract for Vulnerability Assessment Software

Achieved 50% reduction in license cost for savings of \$19,522 and 3% price cap for annual support based on the discounted license vs. proposed list price totaling \$20,729 in savings over 5 years. Total negotiated savings of \$40,251.

Network Protection Software Contract Renewal

Achieved negotiated cost avoidance of \$229,056 (against projected spend) by eliminating a 10% increase in the proposed fee cap for software and maintenance

Enterprise License Agreement with Virtualization Provider

Negotiated \$1.04 million savings off of the initial purchase price

Printing of Wisconsin Legal Materials

Negotiated additional \$7,464 savings (1.5% on over \$500K order) with a low responsive bidder on the printing of Wisconsin laws and statute books