

## BEST PRACTICES CHECKLIST FOR NEGOTIATING VENDOR CONTRACTS

Great vendor relationships play a vital role in helping hospitals reduce costs and optimize revenue. But identifying the best vendors up front and negotiating the most favorable terms can be challenging. Fortunately, there are a few key steps hospitals can follow to ensure they achieve the best return on their outsourcing investments—before the contract is even signed.

- ❑ **Define a win.** First steps first: You need to identify what a win looks like to your organization. Start by defining what you require, beginning with service standards and concluding with budget parameters. One thing that can derail your efforts right from the beginning is to use your previous contracts as the basis for new contracts. It's okay to look at what you did in the past but you need to question why you chose the terms you did. Now is the time to take a fresh approach. What is the best possible scenario for your organization? That's how you define your win.
- ❑ **Create a game plan.** Now is the time to study your needs and identify both your and your vendor's assets to determine what you might be willing to concede. Having this information enables you to be more strategic in your negotiations. Every asset is a card and you need to determine ahead of time when to play what card. This process requires discipline, which can be hard, but is oh so critical for winning.
- ❑ **Communicate the plan and stick with it.** Once you have your strategic game plan, you should share it with your team, your CEO, CFO and other stakeholders. Emphasize the importance of being on the same page and "standing together." One weak link can cause you to lose your leverage, which then undermines the entire process. It happens all the time. As negotiations progress, it's important to keep your team updated and to reemphasize the need to stay strong and stick with the plan.
- ❑ **Be reasonable.** Negotiating in bad faith destroys your credibility from the start. Your demands should be legitimate or no more than a borderline stretch. That said, it's okay to blame the board or your organization's financial situation when needed. If you have comparisons, use them to force the vendor to give you their best offer. Remember, you need to be prepared if they say "no." That's okay, even expected at this point. Just remain patient and reasonable.
- ❑ **Never accept the first offer, even if it meets all your criteria.** Have you ever asked for a 5% raise and it was accepted right away? The first thing you think is that you should have asked for more. In fact, many experts believe negotiations don't really begin until after the first "no." But don't say no without a reason. You don't want the vendor to feel deflated as it may impact future interactions or negotiations.
- ❑ **Avoid becoming emotional.** Negotiating a contract is a business transaction and nothing more. Emotions only serve to cloud your judgement and when that happens, you lose your leverage. Instead of raising your voice, focus on improving your argument. If someone's going to get emotional, let it be the vendor. That's not necessarily a bad thing as it can help you gain the upper hand.
- ❑ **Silence—at the right time—is your ally.** Most people are uncomfortable with a long gap in a conversation and will quickly try to fill it. In negotiations, the first person to fill that silence actually takes a step towards retreating. It's important to stay focused, say what you have to say, then stop talking. If negotiations are taking place over the phone, you can use the mute button to help refrain yourself and your team from speaking first.
- ❑ **Listen more than you talk.** Talking too much exposes information that your adversaries can use against you during negotiations. Leave that to the vendor. When you do talk, choose your words wisely, say only what you need to say, then stop talking and listen.
- ❑ **Once you get what you need, let go of the rest.** This goes back to the point at which you defined what success looks like for your organization. Keep this image top of mind and try not to lose sight of it at any point in the process. There's no value in trying to get more than you need.
- ❑ **Don't let deadlines force decisions.** Most of us are best when working against a deadline but when it comes to negotiation, a deadline can quickly become a liability. End-of-year quotas can trigger false urgency levers that quickly derail a successful negotiation. Deadlines are just tools, not ultimatums, so use them sparingly.
- ❑ **Be prepared for a called bluff.** A bluff can be a valuable tool but when called out, it can also cause distrust and stall negotiations. If you say you can only bring on one more vendor this year, have a contingency plan to go to if you're challenged.

### The bottom line

There's an art to curating successful negotiations. It begins with having a game plan and understanding how to leverage assets like silence and patience. Throughout every stage, it's critical that everyone on the team keeps the big picture in mind and does not get caught up in the moment. You must remain cognizant of when discussions veer off topic and then work to refocus the conversation. Go back to your opening statement often and remember why you need this. And, most of all, remember that if a deal doesn't come to fruition, it's okay to walk away. Sometimes the best deals are those you don't make.