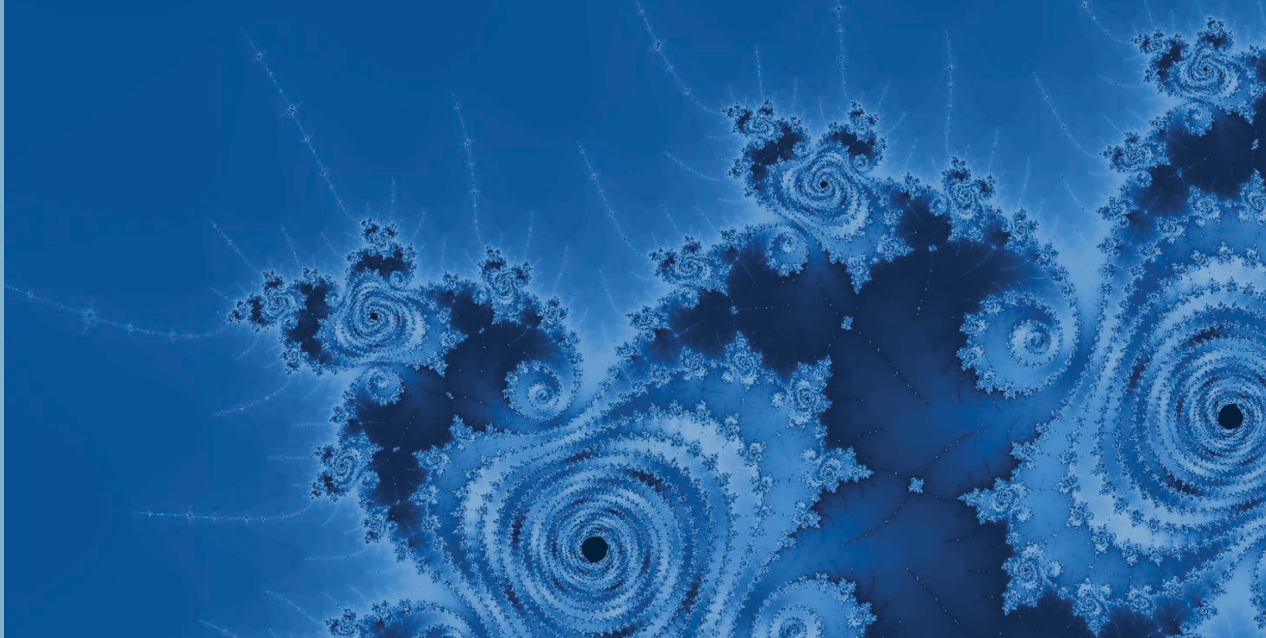


Negotiating Vendor Contracts



Key Initiative Overview

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This overview provides a high-level description of the Negotiating Vendor Contracts Key Initiative. IT leaders can use this overview to understand how to improve their contract negotiation processes.



Analysis

The ability to negotiate vendor contracts effectively—getting the right products and services at the right price and with the right terms—is a crucial skill for IT organizations.

Too often, enterprises move from one contract negotiation to another—and from negotiations for commodity purchases to those for complex, long-term, business-critical relationships—without proper planning. IT leaders need to get ahead of the negotiating curve by prioritizing renewals, renegotiations and new contracts. They must develop a disciplined negotiating process and advanced negotiating skills, so that the enterprise starts the process and engages negotiators early on. This approach will deliver better contracts, better vendor performance and better business performance.

Consider these factors to determine your readiness

Consider these elements before negotiating vendor contracts:

- *The renewal cycle of key contracts:* Identifying upcoming vendor contract negotiations and prioritizing them by size, vendor importance and degree of complexity will enable IT leaders to develop a disciplined plan for negotiations.
- *The “owners” of vendor contracts:* Determining the key internal stakeholders and understanding their requirements will make it possible to negotiate new contracts and renewals more effectively.
- *Potential issues* related to a contract negotiation, renewal or renegotiation.

Develop vendor contract negotiation capabilities in three phases

Gartner recommends that IT leaders take a three-stage approach to negotiating vendor contracts:

- **Strategize and plan:** Develop a calendar of key vendor contract renewals and new contract developments. Communicate contract requirements within the enterprise and develop a negotiating team. Define the expected outcomes and roles and responsibilities.
- **Assess competencies:** Collect and review the best practices for negotiating vendor contracts.
- **Operate and evolve:** Staff and manage the negotiating team. Negotiate contract terms and conditions. Review operating processes, measure success and refine processes.

Read More From Gartner About Negotiating Vendor Contracts

The following is just a sampling of the research and tools Gartner clients have access to every day.

Strategize and plan

Six Ways to Build Flexibility Into Outsourcing Contracts

ID: G00157624

Flexibility is difficult to achieve in an outsourcing engagement unless the organization and the service provider work together to make it happen. Special attention to six aspects of a typical outsourcing contract can help build flexibility into the outsourcing engagement.

Nine Factors That Drive IT Services and Outsourcing Contract Pricing

ID: G00157940

Nine major factors drive the price of IT services and outsourcing deals. This research provides organizations with a clear understanding of the key drivers that influence pricing so they can make the most-informed buying decisions.

Outsourcing Lessons Learned: Engage in Shorter Deal Terms

ID: G00170792

Long-term outsourcing deals (generally more than five years) can eventually limit price-competitive flexibility, technology improvement and service excellence. IT leaders and sourcing managers must understand the relative impact of term lengths on current and future performance objectives.

Assess competencies

Assess Four Factors Before Renegotiating Outsourcing Contracts

ID: G00160683

Renegotiating outsourcing contracts, whether it is done midterm or at the end of a contract term, requires careful consideration of the changes wanted, urgency, current deal review and risks of renegotiation.

Best Practices for Renegotiating Outsourcing Contracts

ID: G00160907

Renegotiation is the best way to make major changes to an outsourcing contract, but it isn't easy or quick. It requires careful research, a solid strategy, a formal plan and an understanding of your leveraging points so that both sides can be successful.

Best Practices for Understanding and Negotiating Outsourcing Contract Risks

ID: G00157752

Most outsourcing contracts cover six major risk areas that could impair or even ruin the deal. Negotiators should have a plan to recognize these risks and mitigate them.

gartner.com/contracts

Operate and evolve

Top 10 Extreme Negotiation Tactics for Problematic Vendors

ID: G00164942

When dealing with problematic vendors, use Gartner's Top 10 techniques to reduce product and service prices in contracts.

Negotiation and Contracting for Cloud-Enabled Outsourcing

ID: G00170695

The promise of contracting in cloud-enabled outsourcing is that it is easy and "preconfigured." However, "standardized" contracting is immature, so organizations are at risk. In this research, we discuss the key differences in contracting cloud IT services versus traditional services.

Negotiating a Price Escalation Clause or Price Cap in a Software Contract

ID: G00172036

The escalation clause or price cap in a software contract can dramatically impact a customer's total cost of ownership. Gartner explains the mechanics of this provision and analyzes how to negotiate language that minimizes your exposure to unintended cost increases.

Strategic Insights on Key Initiatives

All your initiatives are important, but some are mission-critical. Key Initiatives organize the vast Gartner resources around the projects and programs at the top of your list, helping you achieve demonstrable business results efficiently and cost-effectively.

Our 650 analysts engage in 260,000 one-to-one interactions each year with 60,000 clients from 10,000 organizations worldwide. Every day, clients tell us what they do to support their key decisions and processes for the initiatives that matter most to them. We apply that knowledge to deliver targeted insight and valuable tools just in time, from strategic planning through implementation and benefits realization. Our solutions evolve with our clients' changing needs, but our commitment to quality never changes.

Key Initiatives address significant business opportunities and threats, and typically have defined objectives, substantial financial implications, and high organizational visibility. They can involve multiple projects, but are typically implemented by a designated team with clear roles and responsibilities, and defined performance objectives. It's our solemn mission to guide your key decisions and processes so you achieve the highest possible returns at the lowest possible risk.

So which initiatives will make or break you this year? Don't worry, we've got you covered.

Key Initiatives

Application Development

Application Governance

Application Integration

Application Overhaul

BPM Technology and Tools

Business Continuity Management

Business Intelligence

Competency Center

Business Process Program Management

Cloud Computing

Compliance

Corporate Performance Management

CRM

Customer Experience Management

Data Center Modernization and Consolidation

Data Management and Integration Maturity

Enterprise Architecture Program

Enterprise Architecture Stakeholder Engagement

Enterprise Social Software

ERP

Identity and Access Management

Information Governance

Infrastructure Application and Data Protection

Infrastructure Security Program Management

IT Cost Optimization

IT Governance

ITIL and Process Improvement

IT Risk Management

Master Data Management

Microsoft Windows 7 and Office

Mobile Enterprise Strategy

Negotiating Vendor Contracts

Outsourcing

PMO

Portal Strategy

SharePoint for ECM

SOA and Application Architecture

Strategic Planning

Supply Chain Management

Vendor Management

Virtualization

VoIP, Unified Communications and Collaboration

Three ways to learn more about how Gartner can help you move your Key Initiatives forward:

- Contact your account executive.
- Attend a webinar: gartner.com/webinars.
- View additional resources: gartner.com/contracts.