

**Child Welfare IT Managers' Webinar Series: Procurement and Contract Management**

*Contract Negotiation and Management*

July 29, 2014

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Coordinator: Welcome and thank you for standing by.

At this time all participants are in a listen only mode until the question and answer session of today's conference. At that time you may press star 1 on your touchtone phone to ask a question.

I would like to inform all parties that today's conference is being recorded. If you have any objections you may disconnect at this time.

I would now like to turn the conference over to Miss Elizabeth Mertinko.  
Thank you and you may begin.

Elizabeth: Thank you. Welcome to the Procurement and Contract Management Webinar Series brought to you on behalf of the Health and Human Services

Administration for Children and Family Children's Bureau and presented by ICF International.

Our regular moderator Joyce Rose could not be with us today. I am Elizabeth Mertinko. I'm with ICF International and I will be stepping in to moderate today's session.

Changing in funding availability and priority mean the opportunities for in-person discussions and networking among professionals working on agency child welfare IT systems are limited. As an alternative the division of State systems within the Children's Bureau is offering a series of Webinars supporting information sharing and discussion. The content of the Webinars is structured to appeal to a wide audience participating in an agency's child welfare IT initiative including State and Tribal child welfare staff.

As I mentioned previously today's Webinar in the Procurement and Contract Management Series is entitled Contract Negotiation and Management which I think you'll find unique and interesting as our guest presenters have a wealth of experience from both a vendor and a state perspective. Our usual moderator Joyce had worked with Cynthia and with Dawn in the past on a child welfare IT project. So she knew them quite well and that's how they came to be our speakers for today.

Our remaining topics this year are CWIS Mobile Technologies in August and SACWIS Modernization Projects in September.

Attendees are encouraged to participate in our Webinar with questions and comments. All of our participant lines are muted right now but we will open them for the Q&A session at the end of the presentation. However please be aware that you can submit questions at any time using the go to Webinar chat

feature and those will be addressed during the Q&A session. Should we run out of time we will respond to your questions via email at the address shown. Or if you have any additional questions you can send those at the end of the presentation.

We're very interested in knowing who is attending today's Webinar. It's our intent throughout all of the Webinars to make the content applicable and attractive for everyone participating in an agency CWIS effort. We ask that you self-select one of the categories listed and I'll go ahead and open up the polls so that our participants can do that.

Now if you could go ahead and self-identify into one of these categories and I'll give you just another minute to do that.

Okay. We have about 86% of our audience - oh 90% that has gone ahead and cast their votes. So let me go ahead and share the results of the poll with you.

It looks like we have 37% State child welfare information systems managers, 32% State child welfare information systems program, policy or technical staff. We don't have any Tribal child welfare project managers today but we do have 16% of our audience Tribal child welfare information system program policy or technical staff, and 16% ACF Children's Bureau personnel. So welcome to you all and thanks for joining us on today's Webinar.

The format of today's Webinar is the introduction of participants followed by approximately 60 minutes of presentation by our guest presenters. We'll end with an attendee question and answer session and follow with a short wrap up. Remember that you can submit questions through the chat feature throughout the presentation but there will be an opportunity to ask questions live at the end of the presentation.

I'm extremely pleased to welcome Cynthia Hunt and Dawn Tatman as today's presenters. Cynthia Hunt is currently the Principal of CLH & Associates consulting organization, a small Ohio-based consulting firm specializing in government and nonprofits on the program side of HHS IT. She was formerly a Senior Vice President for CGI and was the Deputy General Manager for State and local.

She has more than 30 years' experience managing information technology systems projects in more than 15 states across the Human Services Program of child welfare, childcare, child support, and welfare reform. She has deep experience in contract negotiation and management as a vendor and as an advisor to State governments.

Dawn Tatman is currently the Chief Information Officer with the Washington State Department of Enterprise Services and has over 30 years of experience managing information technology systems. Her expertise is transforming outdated systems into state of the art models that reduce operating costs and boost overall efficiencies.

She most recently served as the Technology Director for the Children's Administration of Washington where she successfully managed the replacement of the administration's child welfare case management system. Dawn previously served as a Vice President of American Management Systems--now CGI--where she was responsible for negotiating and managing contracts as well as implementing child welfare information systems in eight states.

We are so pleased to have these experienced and qualified individuals as our guest presenters. As I mentioned I'm Elizabeth Martinko. I am with ICF

International and I am here today to stand in for Joyce Rose) who could not join us.

As I mentioned earlier Joyce when she worked in the State of Wisconsin was the Child Welfare Project Manager and Dawn and Cynthia were Executives on projects with her. So the three of them had a great deal of experience to bring to planning this presentation. And at this point I'm going to turn it over to Cynthia to begin today's discussion.

Cynthia Hunt: Hi everybody. I'm delighted to be here to speak with you about contract negotiation and management. Objectives today - can you back up one Elizabeth? I'm sorry.

Elizabeth: Yes I can.

Cynthia Hunt: Objectives - thank you. Objectives today are really we've tried to provide a comprehensive look at the challenges. We want to make sure that you understand the perspective from the vendor's point of view. We are going to spend a little time on the art and importance of developing a contract negotiation strategy, including identifying the objectives and how they may be used to more effectively negotiate the contract. And then best practices skills and tools that you need to successfully engage. Next slide Elizabeth, if you would.

So classically there are lots of people involved and it takes a lot of energy and time to be effective in negotiations. Next slide Elizabeth. Thank you.

So we want to focus on the topics that I have described and our thinking is that the great majority of this content is used for all types of contracts. And we're going to talk about several different types. We're primarily going to

focus on the classic DDI for full system or our large scale enhancement projects. But most of the lessons and/or strategies and tips that we will offer today can be utilized across other types of contracts as well.

And we would include in that both the staff augmentation for both the business or the technical side - and when I say “business” here I mean the program or child welfare HHS side. For technology upgrades, and also for outsourcing.

Dawn and I have worked together for a long time. I’m really sorry that Joyce couldn’t join us today because Dawn and I will have war stories and Joyce would be adding even more. But hopefully we can be sufficiently entertaining as well as instructive for you as we move through this material. Next slide Elizabeth if you would.

Okay. Timing: we realized as we talked about negotiations that we really had different models that we wanted to talk about. And the model that the three of us used very effectively in the Wisconsin SACWIS deal is what we’re calling Model 1, which is one that we strongly prefer for a large scale DDI deals and frankly large scale deals in general.

Typically in this model you’re doing vendor selection as your first major stage and our assumption is you’re going to have one but you might have more, and then the negotiations and then the final contract signing. And by that - we’re going to go into more detail about that today. But by that within the negotiations you take that time to really explore and understand all points of view related to the scope of the work, document the results from that and then move on to an actual final contract signing.

In most cases - or in many cases Model 2 is the model that is dealt with. When you're doing a vendor selection and then you're going straight to contract signing, assuming that all questions or issues have been resolved as part of the BAFO process or Q&A process before you select a vendor, and then you're doing negotiations throughout the project--both hard and soft negotiations--we strongly prefer the first model because it really helps bind the teams together and get issues resolved.

The third model which we want to introduce to you today is what we're calling an in-flight or evolving model. And this is a model that has been used successfully in multiple states. It's not a classic typically DDI. It's more often used for enhancement projects or projects where the scope or path is evolving. And that's something that we have used in a bunch of the deals that I've been involved in called an interval deliverable attachment or a quarterly deliverable attachment, or a QDA or IDA model.

Basically that's a model where you don't know sort of what your final product - it's not one big SACWIS system at the end but it might be major enhancements related to legislative changes or other changes. But you might not know them all at the beginning of the project.

And in this model on a quarterly basis you're specifying at the beginning of the quarter or the end of the prior quarter all the deliverables that you want to have happen over the course of that period and associated dollar amounts with those and defining the scope in that way. And then having your vendor actually create deliverables and work to those deliverable schedules with the IDA. And then reset for the next quarter.

And that's proved incredibly effective because your deliverable base, you're still fixed price for that quarter and you can make it be fixed price overall. But

you can also evolve to the realities of the contract that you're working in.

Next slide please.

I'm sure you guys have heard this but know that our definition of success is balance, and if you walk away with each side being a little happy and a little unhappy you have probably done the best job that you possibly could. If you are able to use your negotiations in an effective way you also walk away where everyone is prepared to begin the work with a real understanding of the scope, and also know that each side's responsibilities are congruent.

I'm sure many of you have worked on projects where you had to go straight to contract or you haven't been able to take the time to really explain and understand the scope down to a fairly granular level and dealt with the issues associated with that through either change orders or escalated to more difficult outcomes.

Also if you were able to do the negotiations effectively you're able to forge relationships in a positive way. And optimally some of the challenges - you face challenges and work successfully with those challenges and you have a pattern of how to work together in an effective way that can serve you in good stead throughout the project. That's how we define success: everybody a little happy, everybody a little unhappy. Next slide please Elizabeth.

Our gold standard is that the teams need to negotiate. You have key players physically in a room for an intense time which is typically one to two weeks for a full scale SACWIS. You're reviewing the contract and potential the RFP in great detail, including all those implicit assumptions that are imbedded in your mind both as the writer of the proposal and the writer of the RFP. You discuss those assumptions, answer questions, resolve the issues real time with

the goal to ensure that everybody walks away with a congruent understanding of the scope of the work. So that's our gold standard.

Now Dawn has taken that standard and moved it into new models that she's using in Washington State that we also wish to discuss with you now.

Dawn Tatman: Hi. This Dawn Tatman and I as Cynthia am very happy to be joining in this Webinar for Contract Negotiation and Management. As Elizabeth said before I am no longer in the child welfare arena. However I was for a number of years and my experiences with child welfare and being on the private side with a vendor and now with in-state government has provided me with a unique perspective that I'm hoping to share with you. And Cynthia has that same level of experience.

So with my experience being on the vendor side and then coming into State government we took an approach here in Washington on large scale deals of a structured procurement process that we broke down into four stages. And as you can see by this slide there is - Stage 1 is really getting to a minimum mission critical stage of requirement that you're going to review.

And then requirements review and interview an issue that's in Stage 2 which I'll get into in more detail. And then Stage 3 which is if people make it past Stage 1 then make it past Stage 2 they would come to Stage 3 for demonstrations and then a second set of interviews.

And then at that point if they make it past Stage 3 you would move into Stage 4 which in all cases that I've used this structure of procurement process I've had at least two vendors move to that Stage 4. So that you have options and opportunities to work forward with a couple of vendors that had made it through all the three previous stages. Let's go to the next slide Elizabeth

This is the process that supports that four-stage process that I - or strategy that I just talked about, with Stage 1 being an evaluation of minimum qualification and mission critical requirements. And this was really a bit hard for some folks to try to get to. What is that? Let's be minimal on what our mission critical requirements are. Let's be very specific.

So this isn't necessarily your mandatory requirements that you would think about in functional and technical. This is really taking it up a higher level to say that they meet your security policies, your architectural, just whatever you may deem is that important. And then the evaluation and review of remaining prime bigger requirements to get through that Stage 2. And the stage two is where you really have a group and a team go through all of those requirements that they have responded to from a functional perspective that are mandatory or desirable, and then the technical requirements.

And then the other part of Stage 2 is a review of issues, lists and price proposal. And I'll get into the review of the issues list a little bit more but the structure of these documents that come in with the RFP are a bit different than maybe you have done previously, and I'll walk through that.

And then the other part of Stage 2 is oral interviews where the vendor would come in with their senior executive folks along with the project staff and you would conduct interviews along with reviewing the issues that they put forth in their proposal. And then if they make it past that stage we would definitely go to product demonstration and then from there to Stage 4.

So let's go to the next model so I can talk a little bit about the next slides there. So the RFP includes for the vendors to respond to an umbrella contract. And so I've been part of a lot of negotiations, a lot of proposals, a lot of RFPs

where the vendor would submit their contract and then you really don't get to dealing with a lot of those hard contract issues until you're at the end of the contract negotiations.

And so what this approach is trying to do is not have those hard contract discussions at the end. Let's have those at the beginning. And so the intent of this is for us to provide in our RFP our contract from the State. And the issue list that I had talked about earlier is that when a vendor would propose if they had any issues with the contract or anything within that RFP they could document those issues and then we would discuss those in the Stage 2 to see if we could come to resolution at that point or not. And if we couldn't come to resolution at that point then they would not move on to Stage 3.

The other part of the RFP would be a technology agreement which is an overarching agreement with the vendor based for future in projects if any. So this is really the more detailed level of the contract. So it's overarching and you could do future deals off of this technology agreement. And then the project agreement there is a draft in the RFP of terms specific to the current project along with a statement of work and then detailed requirements for the project plan and joint resource plan. Go to the next slide.

So continuing on with those strategies one of the things that we found to be successful in using this model also is that the State manages all elements of the procurement process including maintaining document revision control. In a lot of situations - in most that I've been in the past the vendor tends to do that. And we have found with us maintaining that document revision control it definitely puts us in a better position to understand where we are along with if you are negotiating with two different vendors it is really important that you're managing the revision because it can get very confusing if you have negotiations going on with two vendors.

This approach also requires empowered negotiators from the bidders to enable meaningful negotiations. And I say that and it really is on both sides, and to moving into this type of a model is that you need people at the table that really can make the decisions and are empowered to do that so that you're not spending a lot of spin time and people have to get back to other people. So both on the vendor side and the State side this is very key. So that really is kind of the four-stage evaluation and procurement process.

Cynthia Hunt: And moving on to the next topic: our perspective is that - based on both of us being on both sides of the fence is that your ability to understand the vendor's perspective will help you negotiate more effectively, period. You can see from the write up here it's really - it makes Dawn's point about revision control in spades. And it's one of the 50 cartoons on Dilbert if should you ever need this about how effective negotiations can go wrong. Next slide please Elizabeth

So think in about the world from the vendor's perspective: know that your vendors--and I think most of you probably know this--have invested significantly to prepare the RFP. Sometimes I would imagine in this SACWIS area we're talking several hundred thousand dollars. In the Enterprise deal that Dawn is talking about it could be millions of dollars to get to the stage that they have submitted this proposal to you guys.

It's important that you understand by vendor what is their primary business? How do they make money and what is their motivation? And I find that when I'm advising State governments as an insider--I do high level staff augmentation often on the business side as I've described--I'm always trying to help my clients understand the vendor's motivation.

So for a classic design, development and implementation view which is typically custom systems or developing customized work on a platform, right? The profit - there's some profit on the build and implementation that the vendor's done a very effective job of writing the proposal for you and has included as you guys all know a lot of assumptions that are limiting in terms of what they are promising to deliver for the money.

There classically is more profit on change orders and more revenue stream from ongoing enhancement and maintenance. So typically a vendor's looking to do a little better than break even coming in and doing the initial activity, but they're making their money on the downstream. So their sense of the risk for you guys is - for your particular environment is embedded in their pricing. Typically it's a percentage lift over and above what they think projects will cost that helps them navigate if you will changes in requirements from the State side and also, you know, just general changes in their assumptions that they might not have - that might not have been valid.

So when you're thinking about a DDI vendor know that you have more negotiation capability or you have a fair amount of negotiation capability on some of the upfront stuff assuming that you have a vendor that's behaving rationally--not always the case--but that they will probably try to - they're looking for a long term relationship with you. And sometimes you can trade off this sense of the long term relationship and spread the profit for them if you will over the course of the full implementation and downstream activities rather than trying to make it all - trying to have it all happen up front. So that's the way to use that information, one way to use that information.

If you're talking about a software product or platform the profit can be in the software sale if there's a license fee but often in the SACWIS market historically vendors have discounted the product cost to zero, and more

typically downstream are license and maintenance fees. Again the downstream stuff is when you're paying regular revenue over a period of time. Once States tend to be in with a vendor or in with a product or platform there's a significant cost to go to another product or platform. So vendors know that and try to price so that they can get in the door and then make their money on the downstream as you know.

And then for an outsourcing vendor - and actually this is a very interesting topic that most of my clients have not classically understood. The profit typically comes from making the cost of the services inexpensive as possible doing just enough to keep the client happy enough and ensure downstream revenue so that they don't get - they get re-upped when the RFP goes back out and they don't get thrown out. So I actually had one outsourcing vendor tell one of my clients that their job - they were not looking for good quality customer services. They were looking for adequate customer service, enough to essentially stay out of the paper and keep the contract over the long term.

And when you think about it that way, you know, asking an outsourcing vendor for example to do enhancements to an existing product or asking them to do custom work is generally something that they're not interested in because they're always trying to be - to provide the transaction level services as inexpensively as possible. Next slide Elizabeth if you would.

The second major part from a vendor context point of view is really understanding the prior history of the vendor within your organization and any other environments that you have access to, AKA other states or experience with other states. And I think most states try to do this kind of outreach on a regular basis. But it's one of the reasons to go to the national conferences or the regional conferences and also to get to understand your Fed or to know your Fed well so that you can get data on vendor performance in other

environments. And I recognize that most of you can't use that performance in terms of your evaluation but you can use it in terms of your negotiations.

You want to understand the strengths of the vendor and every vendor has strengths and you need to understand those. You know, some vendors are known for giving till it hurts to make a client happy. Other vendors are known for having many, many change orders, you know, because they've written such tight proposals that they - and having so many assumptions that they have figured out how to get to that downstream revenue stream of enhancements.

But every vendor has strengths as it's useful to understand those going in, as well as what are the challenges. And knowing that when you sit down to do your negotiations strategy understanding where the vendor makes their profit and also what you can build into negotiations and/or contract or project expectations that will mitigate the challenges and take advantage of the strengths is really key.

So examples: if a vendor's known for many change orders and high rates - and when I talked to Dawn and Elizabeth and Joyce about this everyone giggled because they - I'm sure they all - people all centered on a couple of vendors in the market. And I know you guys have probably seen many of these situations as well. From a mitigation standpoint there are multiple points of mitigation. You want to specify the downstream rates and experience levels, you want to include the rate of increase for those rates which can be zero if you choose.

You want to identify issues with requirements or project expectations during negotiations and when we talked about the gold standard where you're actually walking through the scope of work in a very detailed fashion to understand those embedded assumptions and make sure that you are aligned

with the vendor. Getting those on the table and documenting resolutions within the negotiations are critical as well as on the project. So this is your documentation to protect yourself from the revenue expansion downstream that's outside of what your plans include.

Also vendors who are known for switching staff. Some of the vendors are known for switching staff or having staff on multiple engagements. And I think you guys are probably all doing key staff clauses with associated financial impacts to the vendor including specification of who's full time, who's part time, what's the onsite requirements and for how long of course.

There are other great examples as well. I'm sure you guys could share some with us that we would - that would help everyone as well. So we can talk about that in the Q&A. Elizabeth?

So vendor truths: most vendors are looking for repeatable revenue. They are not looking for one-time, come in, sell it and leave. They are looking for a way to stick around for as long as possible with repeatable revenue. That gives them a platform to understand the organization, future business opportunities and to - which can be by the way beneficial to both sides, not just vendors. It's not a bad thing if you figure out how to use it to your advantage.

But repeatable revenue is the name of the game. So as you're negotiating with your vendors knowing that will help you position your negotiations in a way that can get you more advantages on the DDI phase of the project and still enable you to constrain the downstream path of the project.

Most vendors--and I'm sure most of you have seen this--prefer cash earlier. If you can play with the cash - and I don't mean play in the negative way. I mean many states try to push the funding or cash very downstream. And

vendors have to build in the cost of capital to their estimation so that if they are effectively borrowing from the vendor's, you know, assets they have to pay an interest rate to - most to the central office for the use of that cash. So that's costly.

So again cash on time--and I when say earlier I mean on time correlated to the deliverables--can be incredibly helpful to negotiations while still making sure that you keep yourself protected that you're not - in the case of a meltdown or a problem contract you're not going to have a vendor walk away from you because they've gotten all the money that they think that they deserve. And hopefully you guys have not seen that very often if at all.

Know also that public vendors have to answer to shareholders. That's a reality of their lives. It's pretty rare these days that you have a major vendor doing SACWIS or CWIS type of implementation that's not a publicly held organization. Some product vendors I know are private but most of the DDI vendors are going to be larger scale.

You know, that is the reality of their life and you as the negotiator on the State side need to understand that they have to be able to tell a story that's a credible story to their shareholders and make enough of a profit for the project to make sure that they actually will stay at a reasonable stock price in the market.

Vendors with a substantial local presence may behave differently. This is not a universal truth but sometimes vendors who know that they want to stay in a local area - if you have a State executive, if you have project teams who work within your physical location, sometimes vendors behave differently if they know that they aren't going to pack up and leave and they're more inclined to invest in making things right than vendors who might choose to leave. You

have to watch for this. It is not a universal truth but it is occasionally. I see behavior like this on an occasional basis.

And then finally most vendors incent their senior employees on profits. It's rare these days that vendors will incent their senior employees on revenue. It used to be that way but now they mostly incent their senior employees on profit. So that means that your senior executives and project managers are typically incented in such a way that they have to control the cost side as well as the revenue side and that just will help you understand kind of what's on their pathway. Next slide Elizabeth

So in terms of contract negotiation objectives Dawn's going to go into strategies in a little more detail. But I just wanted to give you some sense of objectives. Our sense is that if you can sit down with your team and define the overarching objectives for the contract negotiation and priority order that it can be very useful for you. And we typically take that to a negotiations roadmap where I'm actually laying out for each day that we plan to be together what we hope to accomplish and that's a published schedule ahead of time and we're all working our way through it.

You obviously need to include establishing and confirming the major elements and establishing and ensuring that there are reasonable behavioral expectations of the parties in the room. And just know that - and again Dawn's going to give you the detail on this. Just know that investment taken to figure out the objectives and the strategy will really pay off for the project.

Dawn Tatman: Okay. We'll walk into those contract negotiation strategies. And as Cynthia said the objective is really knowing when you walk into that negotiation a list of your priorities. You need to rank them. You need to be ready along with having discussions about alternatives. You will have read the proposals, you'll

know what the vendors have proposed, so you need to really be aware and be ready to have them prioritize and be ready to offer some, you know, some counter to if you're really not liking the response. So have some alternatives ready that you can actually discuss during those negotiations.

And as you're doing that you need to truly establish the difference between what is needed and what is wanted. I think this is one of the hardest things to really get to defining what is mandatory and what is desirable and trying to really break down that from the - whether it's a business requirement or whether it's a technical requirement truly getting to understanding the difference. And making sure that everybody that's going to be at the table truly understands that.

So that's part of knowing your bottom line. Where are you not going to give on? And so, you know, if you came up with alternatives you might have some ideas of how this could be met. You know what is definitely needed and what is not and then know what your bottom line is. What you're going to be able to give on or not or compromise on.

And then you need to understand the compensation including total costs: the deliverable cost, the payment schedule, and enhancements for future costs. I think Cynthia hit on it that vendors definitely would rather have their cash up front. Totally understand that having been a vendor and had to pay interest on money that we were expending on the project. So it is in everybody's best interest to try to understand the whole cost of the project and try to negotiate how you can, you know, keep some cash going to the vendor.

So it's also then have that ability to not be in a bad situation if you get into the contract and something doesn't go in the way that you expected it to and you need leverage. We actually have a couple contracts going on in Enterprise

Services that unfortunately we're having to use that leverage because of the nonperformance in the vendor. So but it's a balance and I think Cynthia talked about that earlier. It's a balance in trying to keep the vendor whole so that they can provide quality service, quality staffing but yet put the protections in there.

Define your time constraints and benchmarks: very, very key. And then define key dates and triggers. And that really ties back to the Washington model that we had used is those key dates and triggers to be evaluating through when you're negotiating to define many of those things instead of some of the typical projects that I have either negotiated before or been on is the vendor will come on board and then they have 30 to 60 days to do a workplan. And then you have that workplan that then starts driving things, may start changing payment schedules and so forth.

And we are taking the approach here on our major deals is we do not do a workplan after the fact. We do the workplan as part of - we would ask the vendor to put it forth in their proposal and then we do that as part of negotiations. So we don't have that surprise after the vendor comes on board with a workplan 60 days later. Next slide Elizabeth

Okay. Identify risks and liability: these are - this really ties back also to in the Washington model that we were talking about where you need to have issues identified up front that would be things that might be contractual issues. But identify the risks with the project, liabilities that you need to talk through right during the negotiations, fully understand confidentiality and dispute resolutions, and impact of changes to requirements.

I think this is one of those - impact of changes of requirement is where you really do run into those change orders. But I think the confidentiality in the

negotiations and then coming up with a very clear dispute resolution that everybody can agree to is one of the most key things. That probably in our last deal took most time over everything else.

Identify and resolve gaps, issues – “horse trading” list that gets resolved at the end of negotiations. This one for me is not giving too soon on things that you feel are very important. So when you’ve ranked your list and your priorities as I talked about in a slide before and you have those there, you know, you don’t have to give on things right away. You can set things aside. You can table them to come back to later because as you continue to go through negotiations you’re going to have a list of these items and some are going to be more important than others.

So, you know, one of my recommendations was, you know, don’t give too soon. Just put it aside in a list. And also you don’t have to play hardball right away when you’re doing that. So as you’re gathering those lists and those things as you’re coming through what, you know, my tactic to do there is to have that list of things and as you move further into the negotiations you come back and you reprioritize. And then you start being able to negotiate and compromise on some of those things because some things may become of much more value to you than others.

And if through your negotiations you have created the right atmosphere that allows both parties to be positive, they’re getting mutually beneficial feedback while achieving fair deal, it really is - you can, you know, figure out where you’re going to give throughout because you set those priorities. So in different points in time both parties are giving and you’ve built that great relationship. And then you need before you close get to those harder things where you do that horse trading.

So it really is building the relationship. And for me one of the things that I would want to tie back to in the approach that we're using on large deals here in Washington is those interviews that happen in Stage 2 and then again in Stage 3, you really are getting to know the people you're going to be negotiating with because our requirement was the people we were going to be interviewing during those stages would be the people that would be at the table during negotiation.

And so really trying to develop that relationship back at those stages of - how did those discussions about their issues go? How did those relationships form? You know, what type of people were they sending? Were they sending people to the table that could make decisions? And then you've already built some rapport with those folks that you then are in negotiations and it usually is with more than one vendor at this time.

Cynthia Hunt: And Dawn, don't you guys also want to have the delivery people in the room at the same time?

Dawn Tatman: Absolutely.

Cynthia Hunt: Yes.

Dawn Tatman: So it is - need the key project staff. So thank you for reminding me Cynthia.

Cynthia Hunt: Yes.

Dawn Tatman: Because this is really important too. And one of the lessons learned we've had out of a couple of these deals is not all the time where the key project people there during some of the negotiations. And then we had to come back to those folks and say but this is what we negotiated. So it's very key that you have

from the State and vendor side the executives that can make the decisions but also the key staff that are actually going to have to deliver on what got agreed to in the negotiations.

Cynthia Hunt: Yes. It's important that they understand what the horse trading has identified...

Dawn Tatman: Absolutely.

Cynthia Hunt: ...and also understand that the whole discussion about scope, the detailed discussion about scope as part of the conversation.

Dawn Tatman: And the back and forth that happens between because I think when they hear those conversations they understand what the driving factors were.

Cynthia Hunt: Right. The other thing I've done on this slide is I regularly advise clients to put - ask the vendors as part of their RFP to identify risks and mitigating strategies that they see in the project coming up. And inevitably if the vendor's done a good job there that provides you with a great risk management paradigm to start from, and you can discuss that as part of the negotiation conversations if you think that that would be a helpful thing.

Dawn Tatman: Absolutely. Absolutely. And in the Stage 2 where we have issues that is where vendors really have - they've raised any issues they have with what they think that the State is asking for along with the risks. But you can actually have some of those discussions up front before you get way into the negotiations.

Cynthia Hunt: Right.

Dawn Tatman: So the four-stage approach is really meant to - people say well doesn't that take a long time? It does take a little longer. But it gets you at the table - when

you're at the end it really takes the negotiations to a faster track because you've worked through so many things in those upfront stages before you actually get to the final stages of negotiating.

Cynthia Hunt: Right. And even if you're doing the gold standard version and you haven't gotten all the way to the four-stage Washington model which I think is sort of next generation. But even if you're doing the gold standard where you're negotiating before you sign and you're doing it in detail with the teams in the room you will be better served as well.

Dawn Tatman: Absolutely. And that is, you know, before I left the child welfare arena and work that is the model that we used. And it was very tedious but it was going through all of that to make sure you have a clear understanding from both parties what the proposal really meant, what it said, going through the requirements, it really - it's laborious but it is so important to not have people having assumptions or they interpret it in a different way.

So going through that and having that dialog it's definitely key in any deal and really understanding what you're signing up for. You don't want to be having that discussion afterwards, say well I thought you meant this by that and not that by this. So definitely very key.

So let's go to the next slide Elizabeth. And this is one that I use and so that's why it's kind of in here with folks to really try to educate them. And especially when we're doing a major deal, an enterprise deal is - and this is one of the don'ts is not to underestimate the depths that vendors will go to to gain access to every buyer influencer within State agencies and the legislature.

And I've had this challenge. We are in Olympia. My agency is in Olympia as is - it's the capitol. And so there are many lobbyists. There are many different

influences. So it's been an interesting process to be paying attention to how folks are trying to influence and as we have other major deals come up. So I really – when we share in – we're starting to talk about a deal we really try to educate a number of different - and especially key legislators and key agencies about this.

And the other counterpart about this is to try to get agreement that there should only be, you know, a core negotiating team. There should only be one voice and one face to the vendors, not a variety because I found myself in awkward situations where others are representing the project or where we're going forward and it really isn't the path that we're going on. So it really is try to educate people to help support you in not having that contract outside the core negotiation team and then to maintain that one voice.

And I think this is the biggest one and the one we've had to educate people on is recognize that proper planning is an investment in the outcome. And it is an investment. It takes time but it does get you to a better end. And the other one would be stay true to the plan and results will follow. So let's go to the next slide.

So this is the process I use with folks to have faith and trust in the process. The process works. We've had a number of these major deals where people are starting to get - that are at the table that might be observers that start to get really nervous. Why – we walked away today. I don't think they're going to come back. I don't think this is going to work out. It's like no we need people - people need different time to process. Just have faith in it. Let's, you know, let's just keep moving through the process.

This was a challenge going through some of the stages when we maybe eliminated somebody from a stage. They're like well should we really be

eliminating them? Are we going to vehement protest and you're really - it's educating everyone on that we were very clear in our RFP, we're very clear on how you would move from stages and so forth. So just, you know, have faith in the process.

And then the next slide is probably one of the most important ones - Elizabeth you want to move to the next slide? Be prepared to walk away in negotiations. And I would say, you know, this is probably - on the vendor side having been a vendor it's a really difficult thing to do too. But sometimes I think it is something that you need to do if you're finding that this just isn't going to be able to be a deal that you can - that can be beneficial for both sides.

When Cynthia was talking earlier is that both sides will be a little happy and a little unhappy. Well if that unhappy starts getting to be too heavy you need to be able to be prepared to walk away. And that is the last two deals that we used the stage with that we really had a lot of conversation about. Even though you've made a huge investment you need to be prepared to walk away. And I'll talk a little about why when we get to the next slide which is benefits and expected outcomes.

And so these deals are 15- to 25-year deals, you know. And I know in the child welfare arena the systems that are out there have been out there for a lot of years. You have, you know, if you're signing up with a vendor as Cynthia talked about before there is usually always some long term relationship with that vendor. Whether it's software as a service, whether it's a COTS, or whether it is, you know, a custom design, development and implementation, most cases there is a long term relationship.

And these systems are - and stay in place unfortunately longer than they should. We have systems here that are 30 years old that are enterprise

systems. And so, you know, really - walking away from someone you don't think you can have a partnership with is important. So establishing vendor and State, senior executive buy in to the relationship and the project success is probably one of the most key things. The people you are negotiating with, the people you're going through the evaluation process: can you work with those people and will it be a good and beneficial for the State for the next 15 to 25 years?

The other benefits and expected outcomes is to reduce ambiguity and expectations. And that was really kind of whether we used - whatever approach you use, the Washington, the Model 1, whatever approach you use you really need to make sure you're clear which then helps reduce your risk of project failure based on assumptions from either party. And so it is working through all of that in your negotiations.

And then a better more firm commitment to the project and the relationship so that people on both sides truly understand what the project is, not just at a high level. There's a clear understanding what the expectations, what the goal and the end result needs to be which I think really leads to better financial terms for both the project and long term costs. And really understanding what are those long term costs, you know, going to be.

And as we move into a different world from custom and we - and potentially child welfare eventually will get to COTS or software as a service, it really is going to take us into a different world of negotiating and how those costs and long term are going to be impacting the State and the vendors.

Cynthia Hunt: Elizabeth

So from a best practices standpoint, number one topic: have your senior executive commitment lined up. I know this is arguably the most difficult thing to make - to ensure that we've talked about today especially in government environments. But you have to do the best that you can to make sure that your senior executives understand the project and support the expenditure ahead of the negotiation.

You have to create - and in many cases I am working with senior executives who know nothing about these kinds of contracts and nothing about these kinds of projects. And there almost has to be several primer - sort of a series of primer experiences where I and my clients are describing the content of the negotiation, the content of the RFP, even after it's been lit of course and the content of the actual project so that people can see, your executives can understand their role, and can understand when you want them to intercede and when you don't. But they have to be on board.

And I have seen clients appropriately walk away. I've seen many things break down if the executives are not briefed ahead of time and not lined up. And I've also seen a couple of clients have the strength to say to their executive look it just doesn't feel like you're behind this enough to move forward.

So you also have to figure out not just setting them up so they understand it but also your briefing model for your senior executives regularly during the negotiation. And also think carefully about how to utilize them at the right time as an actor for the escalation. Not only can they add value to you in terms of their perspective at that level and how they feel about the most critical or prioritized dimensions of the project or the requirements depending on how you're using them, but also using them as an actor to come in and be the deal maker or the deal breaker, you know, the person who says look this is just not appropriate, we're going to have to walk away at the right moment can be

very, very powerful. So line them out and figure out how to use them effectively once they are bought into your process.

Selecting the right people to be in the room and outside the room: you know, inside the room you want people who are not ruled by their emotions, not feeling like they have to win every transaction. People who understand the requirements and issues, who are detailed, who are creative, and are good negotiators.

Often I've seen negotiations derail because one of the parties get personally invested in the content and/or winning a point and it's less about what's the right thing for the joint product and more about, you know, how can I win this particular point because it's really important to me personally. So you have to have people who can rise above that and remember the priorities that you have set ahead of time and the roadmap that you set ahead of time and also the vendor context and move forward with the stuff that's most important.

Obviously you need the right set of skills: legal, financial, technical, business program, project management, negotiation, and people who are able to understand the downstream impacts of decisions made at the table and articulate those in a way that's meaningful to everyone. Not all those people have to be in the room during the entire time. So that if you've created a roadmap that's an effective roadmap you can have the legal guys at right time or the technical guys at the right time.

I would argue that your PM and probably your deputy if you're lucky enough to have one so at least two people from the State side of the project team need to be in all the meetings. And potentially if you have a principle negotiator that's different from those two people I would generally think that's a useful thing.

You want to have your principle negotiator be hopefully the person who's not going to have to work day to day with the downstream project team because that person does need to be able to have a great relationship if you end up in a deal together. And sometimes if you're doing the negotiations you have to be the bad guy and so you want that person potentially not to be the PM. But you also have to have the project senior people, the actual delivery people in the room so there's continuity throughout.

And you also want an analyst to record the discussion. This should be a State person as Dawn said. The people who are penning the results are the people who control the documentation and there is significant advantage to that. I also want to make the point that this is not at the administrative role. This is an analyst role.

Often I've seen State environments and negotiation environments where we've asked the executive secretary to be the recorder, and they are not going to bring you the same level of analytics that you need in order to have your changes to the requirements or your list of horse trading issues. You know, you need somebody who really has an understanding of the content and is a good analyst to help create those lists and manage them with you over time. Next slide please.

Also we talked about understanding the deal. I've also been in environments where people are walking into the room and just reading the deal for the first time. That will obviously slow you down pretty substantially and not put you in the position to get to the right level of negotiated end points that you are looking for.

And then formulating the negotiation strategy and briefing the team. We've talked about this already: alternative approaches. Define your tactics and counter-tactics so that you as a group are working - are swimming sort of toward the same destination. You know who's bad cop, you know who's good cop to use a pretty rudimentary euphemism but also understanding your vendor context and figuring out how to make those tactics work.

To Dawn's point earlier: developing a prioritized list of must-haves and nice-to-haves and also know the other party's must-have. And that's part of the vendor context understanding that we talked about. Next slide Elizabeth

Defining roles and responsibilities: we've talked about the escalation process. I always keep a couple of upper layers on each side out of the room so no emotions are involved in final decisions with the goal for them to be able to resolve issues that are not resolved in the room.

And, you know, carefully allow yourself escalation possibilities. Day one, you can't reach an agreement you might put it on your parking lot list for tomorrow or two days hence. Try to do maybe a little thinking or conversation outside of the room and then come back and see if you can resolve it. If you can't then maybe move it to your escalation process.

Prioritize your concessions: this horse trading list can get long and hairy. Figure out what's important about it and try to be creative with it. Understand the risk cost value: we've talked about this. Know when to walk away. I wholeheartedly second Dawn's point about this being a critical tactic. I would not use it a lot but use it at the critical points that you need to use it.

Document the roadmap, secure the executive approval. Also we haven't talked about this: using the right technology. I believe in joint editing in real time if

possible. So I actually project whatever I'm writing on the wall and you can have two or three projectors going if you need to with your analysts using those. And have everybody watch as edits are made or changes are made or the lists are created so that they can actually see and agree on what's going on and there's no confusion downstream.

The other point we wanted to make here is that, you know, you can do a lot over the phone these days and through Webinars but in order to forge the kind of relationships that we're talking about in what is effectively a marriage, a 20-year plus marriage it's very useful to have people face to face in the room for key parts of the negotiation. In fact I would argue for the majority of this process that we're talking about. Next slide please.

So bottom line: ensure your executive commitment ahead of time. Know your vendor's context. Know your RFP. Assemble the right team tools and strategy for your negotiation. Walk away when it doesn't make sense. Remember it's not a sprint but it's a marathon. And you need to make sure that the people in the room behave accordingly.

You're also going to have the better project by forging good working relationships now even if the negotiations are tough. The investment now will pay off. And your best - if everyone walks away a little disgruntled or dissatisfied you're looking for a balance. You're not looking for the win or to win and that's a key attitudinal baseline that you need to establish with your team.

Elizabeth: Great thank you. Dawn, I didn't know if you had anything else you wanted to add?

Dawn Tatman: No. I think we covered it and then covered it again for folks. So I think we're ready for questions.

Elizabeth: No you both - let me take this opportunity to thank you both. I had been privy to the planning for this presentation but learned so much more today. So I think you all covered a lot of ground in a very short time. And I just want to take this opportunity to thank you both for such a thoughtful and thorough presentation.

I think it was particularly helpful to sort of compare and contrast the State perspective with the vendor perspective. And I think your point is very well taken that if you understand the vendor perspective that obviously strengthens your ability to conduct effective contract negotiations. So thank you both.

Dawn - the Operator Dawn now if you could let us know how folks can go ahead and queue up for questions.

Coordinator: Thank you. We will now begin the question and answer session. If you would like to ask a question please press star 1, unmute your phone and record your name clearly. Your name is required to introduce your question. If you need to withdraw your question press star 2. Again to ask a question please press star 1. It will take a few moments for the questions to come through. Please stand by.

Elizabeth: Okay. And while we're waiting for people to line up for questions I do have a few that came in online. Not specified towards either one of you so, you know, jump in.

What is the role of the executive sponsor in negotiations? Active and involved, safe to come in for above down negotiations? Some other role? How do you both see that?

Cynthia Hunt: Dawn, go ahead.

Dawn Tatman: So executive sponsor here in Washington does not necessarily get involved in the negotiations. How I've used executive sponsor - because I'm actually using the executive that's in the negotiations. But the executive sponsor from a business perspective, how I would utilize them is if we were coming to a standstill and we needed to revisit our situation of deciding if we needed to walk away, reestablishing priorities, if we couldn't get agreement on an alternative approach or a compromise, I would, you know, take that to the executive sponsor for discussion to see if there's any room to open.

I hopefully would know all that going in. But I can think of some occasions where that might occur. It's not necessarily common if you've had a lot of dialog ahead of time. So I hope that helps. But Cynthia, do you want to add to that?

Cynthia Hunt: Yes. I've also used - I'm with Dawn. I don't think they're classically in the room. I think you use them for escalation and I think you use them in the way I was describing earlier as this actor if you need it. If you need it and hopefully the acting that they are doing is shaking hands with the executive sponsor from the vendor side in a way that makes everybody happy at the end. That's ideal.

Elizabeth: Okay.

Dawn Tatman: And I think that key that Cynthia said earlier is the project manager that has to have an ongoing relationship needs to be in the room but shouldn't be the negotiator. And that is usually kind of the role that I play because I don't have to have that day to day relationship with the project team and so forth. And I think the main negotiator from the vendor should not be that person that you have to, you know, start up a project and work through. So I think that helps to have those different layers of folks in the negotiation.

Cynthia Hunt: Right and Dawn, in that way you're acting as a skilled negotiator on behalf of the program side...

Dawn Tatman: Yes.

Cynthia Hunt: ...and the technical side of the house.

Dawn Tatman: Correct.

Cynthia Hunt: Yes.

Elizabeth: So one of - I can't remember which one. But one of the two of you I think said that walking away is a notion that provokes a lot of anxiety for people. And I feel like I'm kind of seeing this a little because I do have a question about - several questions here about walking away.

Should you seek higher level approval to walk away before you enter into the negotiations? It seems like it might be above - that kind of decision might be above the pay grade of the people who are actually in the room doing the negotiation. So could you speak to that a little bit, about that decision to walk away?

Dawn Tatman: So that is where I was going with how - what I use that executive business sponsor. And to walk away I would want to have that dialog with them and be prepared to share with them why we would be recommending walking away. But I would, you know, I would say that that would need to be at that level. But I don't think you should be discouraged from taking that data, that information, the situation to that executive and be, you know, be at that point of recommending walking away.

Cynthia Hunt: Right. And in the - I'm totally supportive. And in the - two points here. In the - as Dawn described it, use of the executive, if you've done your job preparing the executive for the negotiation you know what their priorities are, you've talked to them about what you think the issues are, you've kept them up to date probably on what's happening at a reasonable level, so that the walking away part should not be a surprise. They should be supportive and understand it in the context. That's point one.

Point two though: the other reality is often when you walk away that will provoke movement on the other side.

Dawn Tatman: Absolutely.

Cynthia Hunt: So Dawn, I would wager that most of your walking away has not resulted in the project not moving forward but has resulted in breaking through some kind of road jam, log jam.

Dawn Tatman: Absolutely. The last deal that I negotiated we walked away twice and it did not end the negotiations. It ended up bringing us to a compromise.

Cynthia Hunt: Right. And I think more than twice would be a problem. That would indicate to me we had a deeper problem in the team that was working together or the

deal. But I think that if you use it very judiciously and at the right time it can be very powerful.

((Crosstalk))

Elizabeth: So it's not something you want to...

Cynthia Hunt: So it usually results in a...

Cynthia Hunt: Sorry.

Elizabeth: It's not something you want to do unless you're prepared to actually follow through on it. So it's not...

Group: Absolutely.

Elizabeth: So it's not to make it as an idle threat by...

Cynthia Hunt: Absolutely.

Dawn Tatman: It's not an idle threat.

Elizabeth: Yes. Okay. And yet another question online which is what is one thing that you would do differently if you could? Or do you have any war stories about past negotiations and some good lessons learned?

Dawn Tatman: Well I know Cynthia probably has them too but I have one right now that we thought we did everything that we should've done. But one of the things that I would say that if they had it to do over again we would've had a better understanding through all of the work we did with the vendor in advance. I

thought we covered everything but one piece that I think we neglected was to truly understand the vendor's methodology and approaches to things. And could that methodology and approach really sit with our organization and we could adjust to that methodology and approach?

And we really missed the mark on one of our deals on really understanding that because it should've been something we either should've truly understood and been ready to adjust to or potentially negotiated an adjustment to that methodology because it became a hindrance to the project and a disappointment in our business folks and our technical folks in what they were receiving as deliverables. Their expectation was something very different than what the results of the methodology provided.

So to me it is - you can never not understand enough of that ahead of time. Especially if you have a shop that actually does work themselves. It does do some design and development or configuration or any types of documentation and so forth. It's a little harder when you're seeing something that is so very, very different than what your people are accustomed to because it makes the approval process very hard so it can cause delays.

Cynthia Hunt: I feel like I have a war story for every best practice and pretty much everything that we said. So let me piggyback on Dawn's point: I have seen that point in spades, especially when you're talking about a product or a platform situation where the client - or an outsourcing situation where the vendor has a particular methodology and a particular set of documentation that meets their needs but often doesn't speak to the business user.

So I think that Dawn's point about - it's all imbedded in the words that we use. We just didn't give you full detail about all of them. So understanding the proposal, the RFP, all that stuff includes understanding their methodology as

well. But literally I've made so many mistakes and had so many illuminating experiences in contracts and every one - I could talk about any one of these topics at length.

Elizabeth: Be careful what you offer because we...

Cynthia Hunt: Yes.

Elizabeth: ...will be calling you again for another Webinar.

Cynthia Hunt: Totally cool. Totally cool. I mean, executive sponsors...

Elizabeth: So...

Cynthia Hunt: ...I've had them, I mean, I, you know, we could probably both go on forever.

Dawn Tatman: Yes.

Elizabeth: Do we have any questions on the phone?

Coordinator: I'm showing no questions over the phone at this time.

Elizabeth: Okay. So this is actually what you had just said. It's kind of I think a nice transition. But in selecting your State negotiation team, the people from the State who are going to be in the room how do you select the right mix of backgrounds? How do you even figure out things like how many people need to be in there? How many is too many? How do you figure out who's going to take the lead? I know you had talked about having people sort of be the quote/unquote bad cop that would be people that don't need to be involved

sort of in the daily work once it moves forward. But can you talk about that a little bit more?

Cynthia Hunt: I would start with the deal and understand the sort of major components of the deal. You always want a negotiator. You always - who understands stuff. You always - as we've talked about that's Dawn in the Washington environments. You always want the operational people who are going to carry the project forward, right?

And then you have to look at kind of what the other dimensions of the deal are. Is it mostly technical? Is it mostly functional? You know, do you - are you looking at sort of match to your functional requirements? You need to look at the skill set that we articulated on one of the earlier slides and figure out what skills you need in the room and go after the best people you can depending on the scale of the deal to support you through that.

I mean, I think your best off in the five or six range. Dawn, I don't know what your experience is but that's mine.

Dawn Tatman: I would agree with that. Being an enterprise organization we have a lot more people that want to be part of it. And one of the things we spend a great deal of time on is going through roles and responsibilities.

Cynthia Hunt: Exactly.

Dawn Tatman: And identify a lot of people that are just observers. And so you do need the functional side, the technical side, the legal side, the negotiation side. I agree...

Cynthia Hunt: The fiscal side.

Dawn Tatman: Yes. When I'm there I don't do a lot of discussing. It really is the people that have the in depth skills. But you identify who's going to be your technical representative, who's your business - it's not good to have a variety of people talking and challenging. And if you can be very disciplined about just calling for a caucus when you know somebody might be concerned, you know, we have signals that we did that people were uncomfortable about something. So we would break and have a dialog. But you have to figure out who are the voices at the table and...

((Crosstalk))

Cynthia Hunt: And be clear about that in defining your roadmap and roles and responsibilities. Mm-hm.

Dawn Tatman: Yes it is really key because I think that you can be at a disadvantage because someone might not think they're really saying something that should maybe not be said at that time, and all of a sudden you really have a hard time taking it back.

Elizabeth: So...

Dawn Tatman: ...and it also helps manage the emotions that come in the room.

Elizabeth: Mm-hm. So related to that we've had another question pop up online which is how often do you think that State staff who are trained or experienced in this and how do you prepare them or how do you recommend that they be prepared? It sounds very clearly like this is not something where you just, you know, invite people to the meeting and they show up without any advanced preparation but you do a lot of work to prep your team...

Cynthia Hunt: That is...

Elizabeth: ...before the meeting.

Cynthia Hunt: That is a fabulous question. I have an answer Dawn...

Elizabeth: It wasn't mine, but thank you.

Cynthia Hunt: ...do you want to start?

Dawn Tatman: You go ahead and you answer and then I'll follow up behind you.

Cynthia Hunt: Okay. So the environments that this has been most successful in I have seen - and, you know, you need to figure out if you have somebody - you have people inside your organization who have this skill set. And if you don't you need to acquire it.

I've seen - and I'm in Ohio. I've been in Ohio not traveling for like the last 10 years and I've seen at various points in organizations the hiring of an external consulting to help coach the State staff on how to do these skills because they are never in my experience skills that are endemic within the organization. Help coach people through putting it together and develop the skill set needed in order to make it work. And I hate to say use somebody who has the skill set but again the investment now will pay off later.

Elizabeth: Mm-hm. Mm-hm.

Dawn Tatman: I would agree with Cynthia. It is hard to find those right skill sets and once you do find them you do continue to use them.

Cynthia Hunt: Right.

Dawn Tatman: And many times they might not be people that are going to be part of the project. But when you do find those skills you definitely continue to mentor and coach and utilize those types of folks. So it does. It's a huge investment up front but I also agree with Cynthia: if you do not have those folks you need to acquire them because you have to remember that this is a long term deal you're walking into. Like Cynthia said, a marriage, you know, 20-plus years. So it is worth the investment to have the right people at the table working this through.

You do not want the vendor to have a greater advantage than you and vice versa. It has to be a fair deal. If you're getting too good of a deal it won't be a good deal in the end. If you don't have skilled people at the table and the vendor is taking advantage of that that won't be a good deal in the end either because that'll just end up in disputes and dissatisfaction. So it is worth the investment. And if you don't have the folks you need to acquire them.

Cynthia Hunt: I'm also seeing - I have to say. I'm also seeing small consulting firms that specialize in this...

Dawn Tatman: Absolutely.

Cynthia Hunt: ...have popped up in a couple of states that I have been in and you don't want your classic major vendors to be doing this because they're typically on the other side of the table. You want the people who - or you can hire them, like Washington's been lucky enough to hire Dawn, right? You want to find the small consulting firms by talking to your other State friends who specialize in this particular kind of advice and counsel and development of the State staff.

Elizabeth: Mm-hm. Mm-hm. I love that marriage analogy too and it sounds like sort of the one of the take-home lessons today is that it's better to leave your vendor at the altar than to have to seek an annulment after the fact, so.

Cynthia Hunt: Just like with a marriage.

Elizabeth: Yes.

Dawn Tatman: It is.

Elizabeth: Just like in life. Dawn the Operator, I just wanted to check before I went back to online questions to see if we had anybody who's been waiting on the phone.

Coordinator: I show no questions over the phone.

Elizabeth: Okay. That's because they're all typing them in to the chat box. So to follow up and it's maybe a little bit off topic but would you make the same recommendation of hiring a consultant or using a consultant for the State on learning how to actually manage the contract? So moving past the negotiation but you've made the award and now you have to manage this contract.

Cynthia Hunt: Yes.

Elizabeth: Okay.

Cynthia Hunt: It depends on your skill sets and the skill sets of your organization. If the organization directly has not been - I liken it to maturity. I've now worked in four or five different human services program areas and in the same way that you develop maturity on how to be effective at large scale projects as a State

you develop the same kind of maturity with contract negotiations. You deal with a same kind of a maturity with contract management.

By and large I think contract management is a pretty unsung discipline within State organizations that I've been involved with. So it feels - I have not seen though the same level of consulting support arise in that discipline yet. But I think that if you can either figure out within your state who's done an effective job of that or figure out a consulting resource to support you there I think it would be a great investment.

Elizabeth: Okay.

Cynthia Hunt: Dawn, I don't know if you agree with that.

Dawn Tatman: Yes. For me I think that it does vary and do you have the strength? And that really would be something you'd have to self-assess on yourself because it is key. You can have this awesome contract and you could have negotiated it and you could've paid somebody to help you negotiate it and here you go and if you don't have someone to stay on it and manage it that that is very difficult. And I do understand that it is a challenge.

And I guess my recommendation would be there if you do need to outsource which I can understand why you would. I'm thinking about a variety of different situations with agencies and stuff where they would need to is at least try to find somebody that you could couple with them like deputies...

Cynthia Hunt: Yes.

Dawn Tatman: To try to build those skills within your organization because it's very important that you do have those internal folks and that you're building that

skill set and capacity. And so for me having joined back into the public sector it's probably one of the things I'm most focused on is that trying not to have dependency in anywhere more than it should be in finding that balance and looking for opportunities to grow people within the public sector with these skill sets.

Now the risk goes with that is you've built their skill set so great that they're leaving you and they're going on to work for one of the consulting firms. But then if that does happen I feel like we've succeeded at, you know, actually building that capacity and we did get the value in being the public sector out of that. So I definitely agree: if you don't have the skills you need to hire it in but try to balance it with somebody you could potentially call a deputy or something to try to acquire those skills.

Cynthia Hunt: In fact Dawn, I would push it one step further and say that it should - it needs to be a State person in charge of the contract management. And I would bring in a skilled contract management support person that works on behalf of that State person that make decisions and primary activity with the vendor needs to be done by the State person. You don't want to outsource that...

Dawn Tatman: As well...

Cynthia Hunt: ...completely. You want to outsource the sort of activities involved in that and the education of the State person through the State person.

Group: Mm-hm.

((Crosstalk))

Dawn Tatman: I think...

Elizabeth: ...well said both of you. Go ahead Dawn.

Dawn Tatman: I think that, you know, one of the things you have to be cautious of as we've - Cynthia and I have both talked about through this whole presentation is building a relationship, building a relationship. Having a win-win, building a relationship which is, very, very important. But you also can never forget that there is a vendor stake situation there.

Cynthia Hunt: Right.

Dawn Tatman: And there should be from time to time some strain on that. And I have seen situations where that that relationship became too clouded that we - you might tend to not look and pay attention to things that you should be. So there needs to be that...

((Crosstalk))

Cynthia Hunt: Separation understanding...

Dawn Tatman: ...great relationship, but the ability to be able to also have hard conversations.

Cynthia Hunt: Right. Mm-hm. Mm-hm.

Elizabeth: You see that I've backed the slides up and that's because somebody has asked if you could talk a little bit more about the structure of Model 3, the inflight or evolving model.

Cynthia Hunt: Sure. I've seen this - I've worked with this a lot in Ohio in the human services arena. For their large scale and even some small scale enhancement projects

where they really don't know where they're going from quarter to quarter because there's legislative stuff underway or it's just sort of the normal evolution of these big systems, they have these things called IDAs. And the IDA is an interval deliverable attachment and every quarter the beginning of the - or the end of the prior quarter I sit down with the project manager and define the scope with associated deliverables for the next quarter.

We actually negotiate those from a contents and scope standpoint. We specify them on an IDA or interim deliverable attachment and we price them, and I price them and they agree or disagree. And we negotiate and we essentially do that every quarter and we deliver to that deliverable setup.

Elizabeth: Okay. All right.

Cynthia Hunt: It's really cool because it enables you - I really like it because it enables you as a vendor to be responsive to your client needs in a way that if you're stuck in a large scale, you know, list of stuff you aren't as able to do because you've defined it at the beginning when you didn't know as much as you do now. But it also takes you away from a classic T and M model where you as a state don't really know what you're getting and you can really force it to a deliverables construct.

Elizabeth: Okay. Perfect. So I hope that answers this to whoever sent the question in but if not please hop back onto the chat box and let us know.

So a word or a role that I haven't heard either of you mention today, and I'm a little surprised, and I promise to read this question verbatim. Neither of you have said bring your lawyers to the table. How do you bring equity and balance to the negotiating table when the vendors bring in there--and this is the part I promised to read--slick New York lawyers?

Dawn Tatman: You do bring your lawyer to the table.

Cynthia Hunt: Yes. Yes.

((Crosstalk))

Cynthia Hunt: It's actually shown on the downstream slide when we said...

Elizabeth: Oh sorry.

Cynthia Hunt: ...who do you want to bring to the room.

Dawn Tatman: Yes.

Elizabeth: Okay.

Dawn Tatman: Absolutely and I think that - I've been at deals where they haven't had their lawyers and then you and then you don't bring your lawyer until it's the right time. But if their lawyer is at the table, your lawyer is at the table all of the time.

Cynthia Hunt: Then pick a good lawyer if you can.

Dawn Tatman: Correct.

Cynthia Hunt: Pick a lawyer who understands their job is to further the business not to sell it.

Dawn Tatman: No. And this is something also that we in the State of Washington for large deals we do contract out also attorney support that has expertise in the area

that we're going to be doing a contract. So this is - and we call them a special AG but they really are an attorney firm that we would hire. So we also have our State Attorney General lawyer there. But in very large or very complex situations it is where I think it is worth the money to bring the attorney to the table that has the experience with whatever the type of technology, whether it's, you know, software as a service, it's COTS, it's custom because sometimes the attorneys within organizations don't have the skill set when it comes to technology.

That is something I'm glad somebody brought up because we didn't really hit on that very much. But to me that would be money well spent.

Cynthia Hunt: We both kind of assumed it.

Elizabeth: Okay.

Dawn Tatman: Yes.

Elizabeth: Yes. This question I love because I am an in the weeds person and so inevitably I'm the person in the room that takes us, you know, too far into the weeds. Can you think to the appropriate level of negotiation? How do you decide if something is worth negotiating about?

You can review every one of 800-plus RFP requirements down to the nth detail but that would take forever and it's probably not cost effective. So is there some sort of guideline about the impact that something would have on schedule or price or we're only going to negotiate things that carry a certain amount of risk on the schedule or a certain number of dollars per price increase? Something like that.

Cynthia Hunt: Dawn, go ahead if you want to.

Dawn Tatman: Well - so for me there's nothing that is - so the four-stage approach that we use in Washington or even the approach that Cynthia was talking about in the strongly preferred Model 1 where you spend a couple of weeks going through the requirements and getting clarification, I don't know, you know, I don't know how to answer that other than I think it's not a matter of negotiations. It's a matter of truly understanding what somebody's offering you.

So you walk in, you know what your RFP, you've reviewed, you understand how they've proposed and what they've proposed for you and what concerns or issues you might have with that, which kind of ties back to a list of your priorities and issues that you might want. So I think when you do go through that end of negotiations you'll know what's important, what's not, what you need, what you don't need, what you can give on.

I don't know that I could give you just a...

((Crosstalk))

Cynthia Hunt: I think you want to make sure that you guys are all living with congruent assumptions.

Elizabeth: Yes.

Cynthia Hunt: So I would say you have to go through a reasonable amount of detail in order to understand where you have in congruencies or where you have a different understanding.

Dawn Tatman: Absolutely...

Cynthia Hunt: And sometimes you could think about functional requirements and take a section and you could walk through and just at a high level talk about them. But then you'd want to make sure that you're trying to surface those assumptions that people have in their heads that they don't write down because inevitably on either side that's where you get stuck.

So it's - all we can tell you - and Dawn and I had the same reaction to this which is it's worth the investment.

Elizabeth: Okay. All right.

Dawn Tatman: It is worth the investment unless you have an unlimited amount of money for change orders in the future which I don't believe that's the case for any of us.

Elizabeth: I don't think I've heard that before.

Dawn Tatman: Yes.

Elizabeth: So yes. I don't know that I've ever known anyone who has had that.

Dawn Tatman: Pay now or pay later. I mean it's...

Cynthia Hunt: Right. And you may not be around in which case it might be - make more fun to pay later but your compatriots will.

Elizabeth: But let's not recommend that officially.

Cynthia Hunt: Yes I'm not...

Elizabeth: These are all potential topics for our webinar series...

Cynthia Hunt: ...recommending that. We're recommending look for the incongruences.

Elizabeth: Yes. Dawn our Operator, do we have anybody on the line before I go ahead and wrap us up for the day?

Coordinator: I'm showing no questions at this time.

Elizabeth: Okay. Well I show that we are right at 3:29 and I want to be respectful of everyone's time. So again I really want to thank Dawn and Cynthia. I know how much work and planning and discussion went into this presentation and I really do think that it was very valuable both for the information that you provided but I also think you raised some great topics that we might see in some Webinars next year. And I think there's, you know, definitely some areas here where we could spend another 90 minutes talking about them easily. So thank you both so much for the time and the work that you put into this. It was really a wonderful and educational session for our audience.

I hope that all of you who have attended the Webinar have found this information to be informative and valuable as you move forward with your CWIS initiatives. If you have any questions or you'd like any more information I do have the email address posted on this slide. And we did record this Webinar as we have with all of our prior Webinars. So as we record this and get them posted to the CB Web site you can go back and have a look at them.

I want to thank you all for attending and please watch for information for our August Webinar via the SACWIS and the Tribal listservs. So thank you all for your participation today.

Coordinator: And this does conclude today's conference. You may disconnect at this time.

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