



PM Training Session 3

Contract Negotiations

PRESENTED BY

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OBJECTIVES

Training Objectives

1. Familiarize potential PMs with basic contracting terms and principles
2. Orient potential PMs to Alliance's contracting philosophy
3. Prepare potential PMs to successfully negotiate contracts and initiate projects

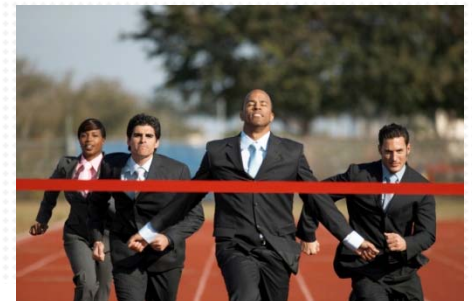




Contracts

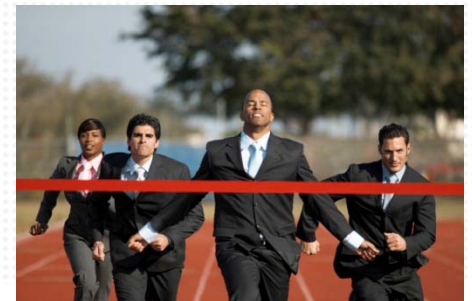
What is a Contract?

- » Agreement (in our case written)
- » Between two or more parties
- » Defining the roles and responsibilities of the parties
- » With the purpose of accomplishing some mutually beneficial outcome
- » In return for due consideration



What is Negotiation?

- » Contract negotiation is the process of discussing and compromising on draft terms in order to reach final agreement
- » In today's environment the negotiation process is more about email streams than smoke filled rooms





Alliance Philosophy

- » Long Term Relationships are important
- » Client satisfaction is one of our most powerful marketing tools
- » Be fair to all parties including ourselves
- » Our contribution is valuable – and should be compensated accordingly



Alliance Philosophy

- » Be patient
- » Be assertive
- » Establish trust
- » Be honest and open
- » Don't be afraid to walk away





Negotiating Process

Negotiating Process

STEP 1



Scoping

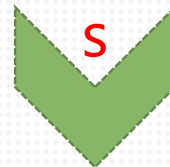


Budgeting

STEP 2

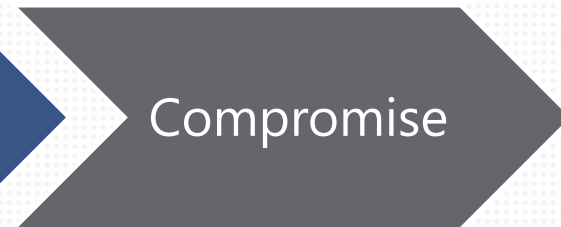


Setting
Expectation
s



Facing
Reality

STEP 3



Consensus

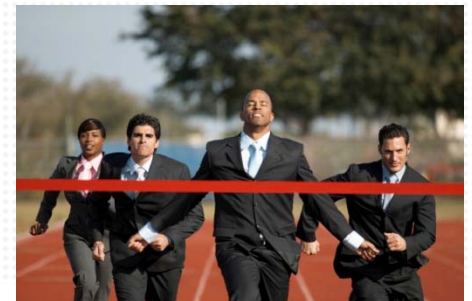


Mutually
Agreeable
Solutions

To be an effective negotiator

You should be able to describe:

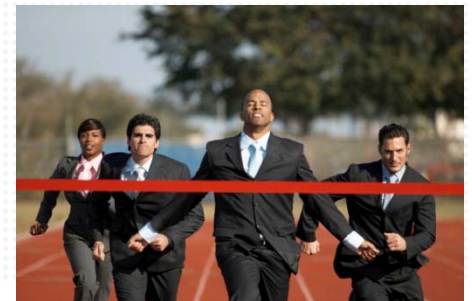
- » What the project is designed to accomplish
- » Alliance's approach to completing the work
- » Roles and responsibilities of each team member – including subs if Alliance is the prime
- » The value of the project to the client
- » Special merits of the project – best practice / advanced practice / unique skills / high-value expertise / accepting challenges or risks



What do you need to be ready to negotiate?

Tools and resources

- » Copy of proposal
 - Scope
 - Budget
 - Schedule
 - Constraints and Conditions
- » Draft of proposed contract
- » Copy of master contract
- » Staffing availability and skill sets
- » Rates and reimbursable unit costs
- » Sense of Potential risks and issues
- » Understanding of negotiating partners
- » Clear picture of what success looks like

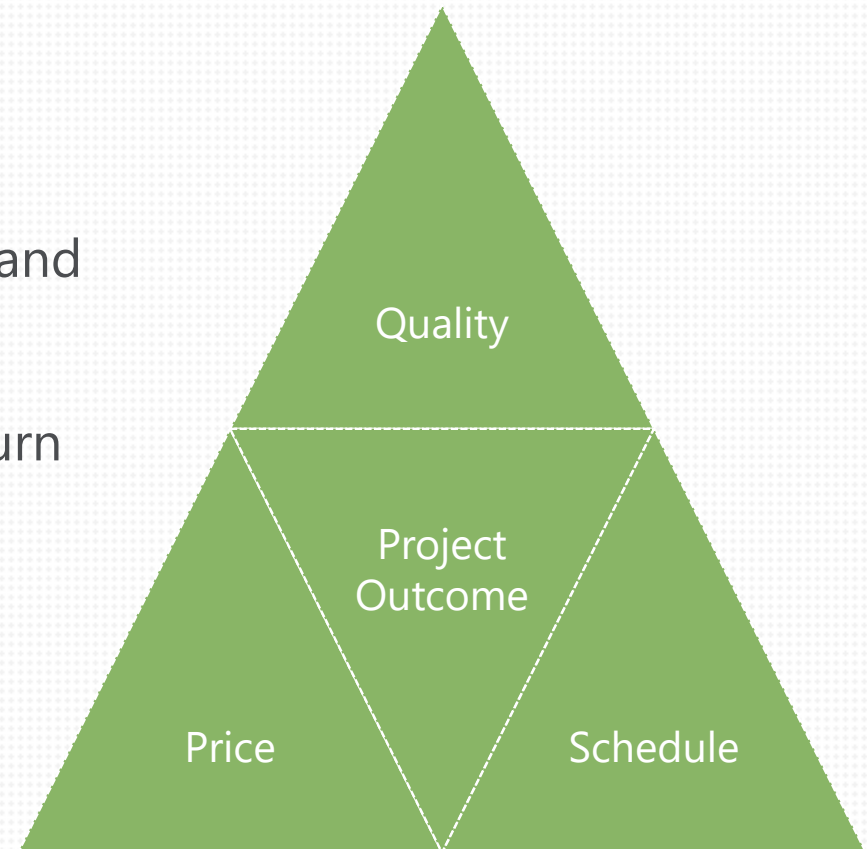




Areas of Primary Attention

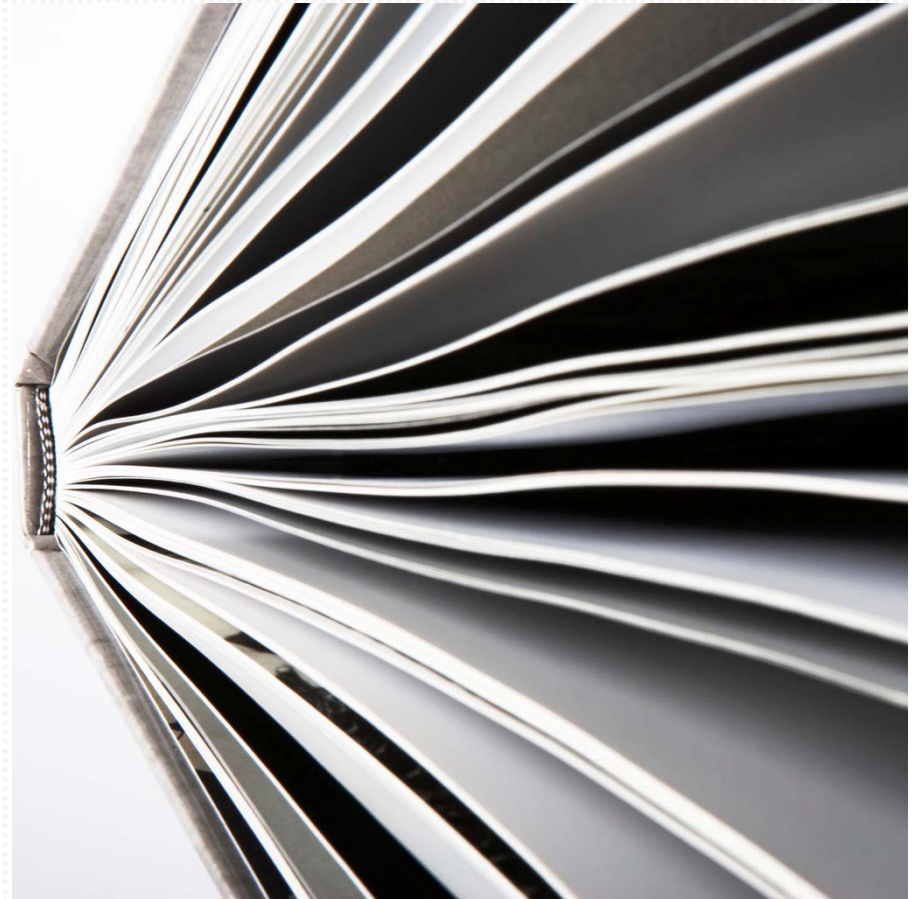
Items Typically Discussed the Most

- » Scope – The work to be done
- » Schedule – Performance timeline and milestones
- » Budget – Payment received in return for value provided



Scope of Work

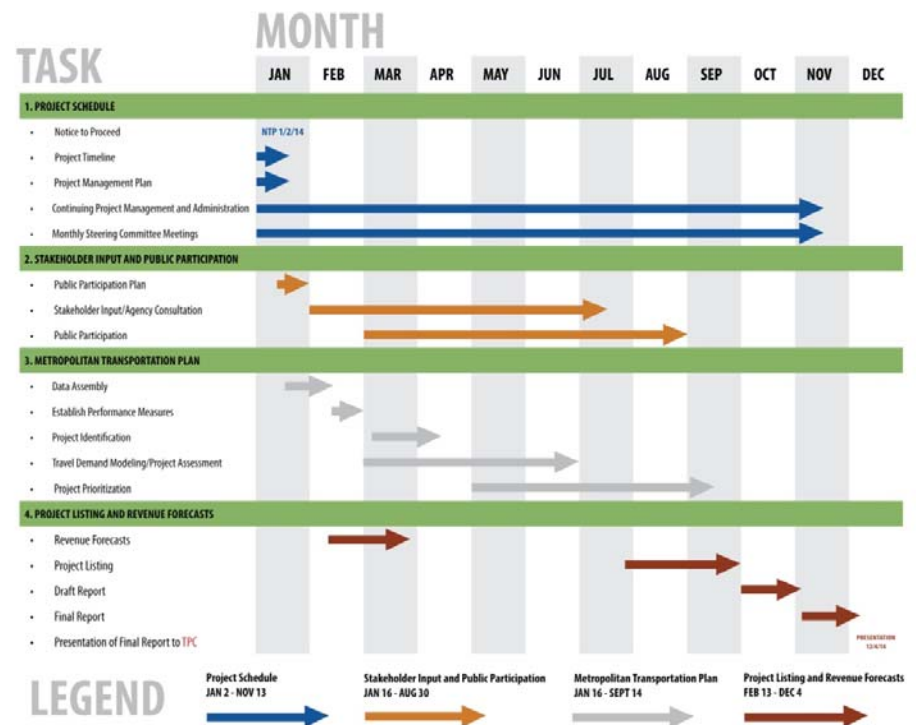
- » State the project objectives
- » Define the tasks – be specific
- » Give yourself some flexibility
- » Define deliverables
- » Define quantities
- » Define roles and responsibilities
- » Define exclusions



Schedule Development

» Performance timeline and milestones

- Set reasonable expectations
- Allow for slippage
- Define critical path
- Set task dependencies



Budget Development

» Payment received in return for value provided

- Sets level of effort
- Defines amount and rate of compensation
- Defines reimbursable expenses
- Sets level of profit



Compensation

» Types of Contracts

- Lump sum % complete - Earned Value
- Deliverables based – Defined product
- Cost plus fixed fee (CPFF) – Effort
- Time and materials - Effort





Critical Terms/Clauses

Clauses that deserve special attention

- » Indemnification
- » Intellectual property
- » Insurance
 - Liability
 - Workmen's compensation
 - Professional liability
- » Liquidated Damages
- » Termination



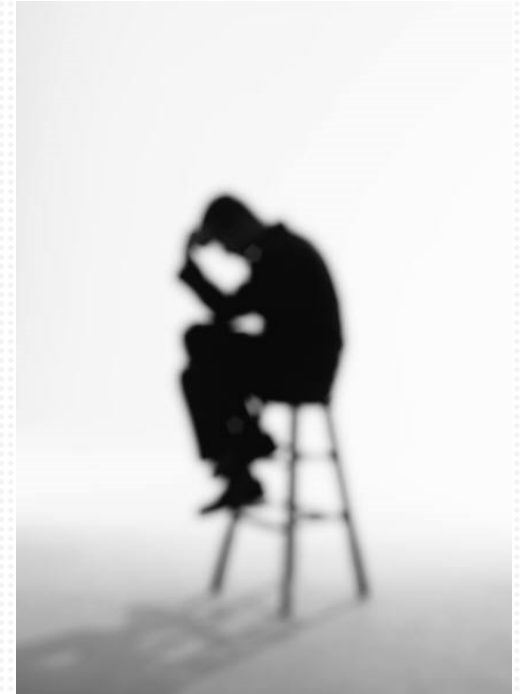
Indemnification

- » If during the term of this agreement anything bad happens anywhere, SUBCONTRACTOR will take responsibility and hold all other parties to this contract harmless and will indemnify all other parties for any losses incurred.
- » During the term of this agreement all parties will take responsibility for their own actions and if SUB CONTRACTOR is negligent by act or omission SUBCONTRACTOR shall hold other, non-responsible parties harmless.



Intellectual Property

- » If CONTRACTOR thinks about anything during the course of this contract, then the CLIENT owns it and CONTRACTOR can't think it anymore
- » If CONTRACTOR develops a product during the course of this contract CLIENT owns it and SUBCONTRACTOR can't use it for anything else
- » If CONTRACTOR develops a product as a part of this contract, CLIENT owns it, but SUBCONTRACTOR has a license to use it on other work
- » If CONTRACTOR develops a product as a part of this contract, CONTRACTOR owns it, but CLIENT has a license to use it on other work





Treacherous Language

Danger! Will Robinson!

- » Passive Voice
- » Pronouns – he, she, they, it,
- » Up to vs. at least
- » Shall vs. will
- » Pay when paid
- » Contingent upon...
- » All, none, never, always
- » Retainage
- » Liquidated damages
- » Laws of the State of ...





Negotiation is a Team Sport

Alliance Negotiating Team

- » Project Manager – Team leader / point of contact
- » Pursuit Manager – Project back story / history to date
- » Client Manager – Stewardship of long-term relationship
- » Principal in Charge – Resource acquisition and allocation
- » Project Administrator / CFO - Financials and contract terms
- » Task Leads / Content specialists – Opportunities and constraints
- » Subcontractors – expanded capability / broadened relationship

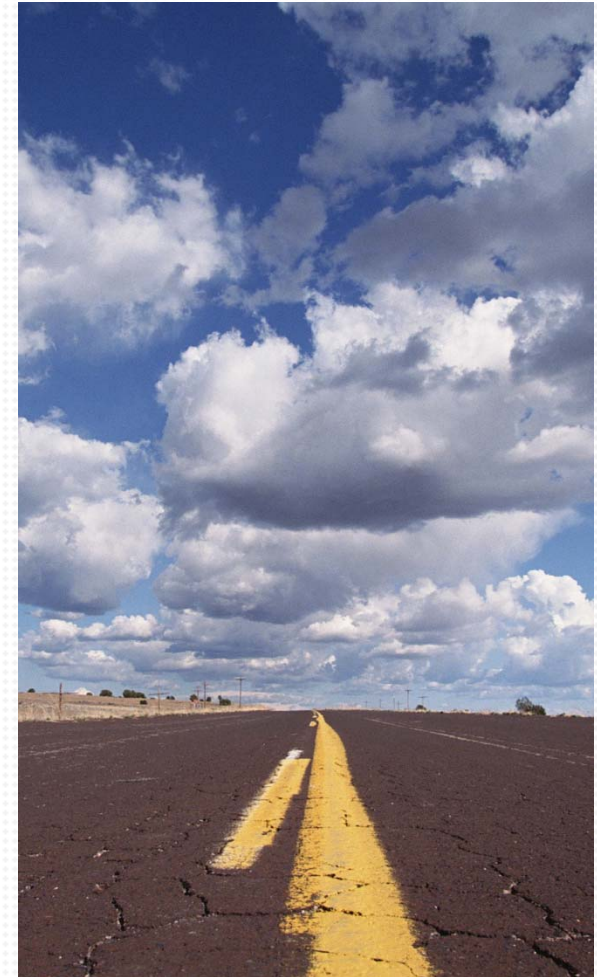




The Never Ending Story

When is the Negotiation Over?

- » Maintenance of effort
- » Scope creep
- » Schedule variance
- » Active risks
- » Active issues
- » Change orders
- » Additional services





THANK YOU
for your attention.

any questions?
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