

Preparing For Successful HRIS SaaS Renewal Negotiations

6 key considerations to enable your team to be set up for success

Posted on 07-29-2021

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It's no secret that preparation is key to successful contract negotiations, but HRIS SaaS renewals come with their own set of challenges. What are you doing to prepare for negotiation success?

As these systems have gained widespread market adoption, many initial deals are expiring and customers are facing renewal negotiations. But unlike other information technology deals, your negotiation leverage is much more compromised with HRIS SaaS renewals since you do not own the application licenses. Consider the following:

- Do you have renewal price protections in place or is pricing wide open for negotiations?
- Have you identified SaaS or on-premises migration options?
- Is there enough time to negotiate and implement an alternative solution?
- Is there a compelling enough business case to support the cost, time, and business disruption of migrating to another solution?
- What will happen to your business if you are unable to reach agreement or choose not to renew?

Many renewal negotiations not only fail to achieve cost reduction goals but take a tremendous toll on the negotiation team and the vendor relationship. Practically every failed negotiation occurs not because of a lack of negotiation skills, but because organizations were not properly prepared.

While these renewal negotiations may be new to you, the providers conduct such negotiations every day and have well-defined processes and procedures in place. They typically start thinking about the renewal at least a year in advance of the expiration date to gather customer-specific information that will inform their negotiation strategy and identify their goals, including footprint expansion. They know all the negotiation levers and have evaluated the strengths and weaknesses of their position. In short, vendors are armed and well-prepared to drive the renewal negotiation process to achieve their goals.

Here are six key considerations that will enable your team to properly prepare for success:

1. Timeline

Start preparing at least a year in advance. Remember, if you cannot reach a favorable renewal deal prior to expiration, in almost all cases you will be forced to sign a deal most favorable to your vendor. Developing and getting executive buy-in on a negotiation strategy takes time. Also, your best leverage will always be the potential of migrating to another solution. Therefore, you need to conclude negotiations with at least enough time that it is plausible for you to migrate to another solution, otherwise the threat of leaving is pointless.

It is critical to consider the procedural and approval hurdles within your organization, as well as the complexity and dependency of your SaaS solutions, when determining how much time you will need to prepare for negotiations.

2. Negotiation Team and Executive Sponsors

Before you can enter negotiations, you have to clearly identify the members of your negotiation team, their specific roles, points of escalation, and have approval and strong support from your executive sponsors. The success of any negotiation leverage you identify will be tested by your vendor. Your positioning and contentions must be credible to be believable and effective.

Your vendor understands how to push through typical negotiation tactics and is confident enough to say 'no' during negotiations to test your team's conviction. The only way to counter is to escalate to your executive sponsors at the appropriate time. The executive sponsors must be people who have authority over budgets, approval processes, and influence within your organization to deviate from or create a new policy. When the vendor hears your positions repeated directly from your executive sponsors, it authenticates your positions and lends credibility to your negotiation team.

3. Identify and Prioritize Commercial Requirements

Your functional team should work with your negotiation team to identify specific negotiation requirements. Functional team members understand the value of the solution and can highlight any pain points that need to be corrected to maximize solution value. Negotiation considerations should go beyond better pricing and commercial terms to focus on overall value.

Speaking in terms of value is also a very effective and persuasive approach in negotiations. Be sure to take a holistic approach to value and then specifically identify your terms or requests that will directly enhance your overall value realization. This may be in the form of better pricing or price protections, improved solution performance, enhanced support, development roadmap visibility and influence, etc. Prioritization is also important so that you maintain focus on achieving the items of most value and be willing to sacrifice the lesser value items if necessary.

4. Anticipating Your Vendor's Goals and Approach

Your vendor will always be looking to not only secure the renewal, but to upsell or add new solutions. Their goal is to maximize revenue. But they also have strategic goals where certain types of sales are more important because they confer added benefits that go beyond the revenue from this deal. For example, maybe your vendor has just developed new solutions or is looking to expand into different geographical areas. If any of these make sense for your organization, they greatly enhance your negotiation leverage.

Also keep in mind that your vendor needs to be armed with compelling reasons to obtain approval of your requests. Just asking for a price reduction because you feel you are paying too much or because you heard someone else has better pricing is not very persuasive. If anything, it will put your vendor on the defensive and will shift their focus to providing rationale as to why they are denying your requests rather than advocating to their executives for approvals of your requests. Understanding your vendor's goals and decision-making process is key to persuading them to approve your requests.

5. Select Your Sticks and Carrots

Identify the rationale for your specific negotiation requests and what you will do if your vendor denies them. This goes beyond relationship feelings. Here is where you need to conceive of alternative options as well as additional opportunities for your vendor, such as adding more solutions or expanding deployment of their solutions to other divisions. In short, you need to determine what terrible thing will happen to your vendor if they deny your requests and what wonderful benefits will be bestowed upon them should they say yes. This is the context within which your vendor's executives will evaluate your requests.

Additionally, you will need to determine your negotiation approach, whether you will use a top-down approach, where you kick-off negotiations at an executive level to communicate expectations and then have the sales and procurement teams negotiate the specifics and escalate when necessary, or a bottom-up approach where you start negotiations at the sales and procurement level and then escalate

as appropriate. This depends on your vendor relationship, the nature of your asks, your timeline for concluding negotiations, and other factors.

6. Communication Approach and Guidelines

It is critical to define vendor communication guidelines within your negotiation team and throughout your organization. Vendors will look to obtain information wherever they can and will not hesitate to contact line of business managers and workers to do so — even if you’ve expressly told the vendors not to contact them. Communication of these guidelines will help your organization avoid confusion and present a unified front and consistent messaging to your vendor.

You will also need to consider if you are to have a single point of contact or a small team for vendor communications, as well as what information should be communicated orally and in writing. A recommended approach is to use oral communications for positioning high-level goals, pain points, etc., but use written communications to clearly articulate specific pricing and commercial terms. Having a formal process for proposal negotiations is critical so that at any given time during the negotiations there is never a doubt as to each side’s latest proposed offer on each issue. This will also greatly assist in providing regular progress reports to your executive sponsors and will prepare them for engaging in the negotiations at points of escalation.

Remember that preparation instills confidence in your HRIS negotiation team and that comes through during negotiations which increases the likelihood of success.

Author Bio



As Practice Leader: Commercial Advisory for Oracle, Workday & AWS, **Jeff Lazarto** heads UpperEdge’s California office. In this role, Jeff is responsible for ensuring overall client satisfaction, developing UpperEdge’s service and product offerings, and leading business development efforts. Jeff also manages client engagements as part of sourcing, commercial advisory, and contract optimization services, providing clients with strategic advice to improve their technology supplier relationships and achieve best-in-class commercial constructs.

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