The IT Sales Process

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Introduction

Who is this for?

This is aimed at managers and consultants inside IT consultancies.

What does it cover?

This book covers the most basic aspects of the sales process in IT consulting and solutions provision. It deliberately avoids delving into detail and has been kept as concise as possible. It focuses on <u>what</u> to do, rather than <u>how</u> to do it.

Why bother reading this?

It is concise. Inadequate sales training is common among managers in IT solution providers. These managers, whilst talented at their core competencies, can be intimidated when selling propositions to clients.

Similarly, clients often fail to understand why an IT consultancy has refused to bid for work or disengaged from the sales process at a late stage. In these situations, consultancies can be reluctant to give clients straight answers about why they suddenly ceased talking.

Qualification

Assuming that a sales lead has been identified, start with this basic question:

> Does the client have a concrete requirement, the money to pay for the work and the willingness to actually part with the cash?

This is more important and more fundamental than "Can we deliver the solution?" The consultancy needs to filter out:

- Clients lacking requirements, engaging in a speculative "seeing what's out there" exercise. At best, they can be handed back to marketing. At worst, they can exhaust a competitor's staff, giving the consultancy competitive advantage with better leads.
- Clients with procurement processes requiring a minimum number of bids and it is obvious that only certain players have any chance of winning.
- Where it is clear that you cannot deliver a solution.
- The client wants free consultancy time. Competitive advantage could be lost where the client is attempting to get design "ideas" out of the consultancy, intending to do the work in-house.
- Clients with bad financials or creditworthiness.
- Clients with a history of dishonest or problematic engagement with other consultancies (especially in the government sector). Media reports of refusal to pay a previous supplier are a warning signal. Was it really the supplier's fault?
- Clients with a history of aggressive litigation, especially those retaining a law firm that specializes in IT litigation. These clients probably have a culture where managers are in a permanent state of anger at the internal IT department and external IT suppliers. If they have an "IT costs are out of control" management dogma, you face hassle with them accepting realistic pricing and paying the bill. They may be very far behind their competitors on technology adoption.
- Clients who outsource acceptance testing to a third party.

It may seem counter-intuitive that the start is about choosing whom not to do business with. Various structured approaches for sales qualification exist. These tend to focus on the same factors:

- Ability to deliver the solution, especially with reference to the scale of the project.
- Alternative solutions and suppliers available to the client, including potential internal solutions.
- The level of trust you have with the client.

- Risk. Who is taking the higher level of risk in the relationship? Given that the only three things that can be varied on a project are scope, budget and timescales, is the client willing to vary any of these or are all three constrained?
- Is the person you are talking to the real decision maker? Will a committee or someone else make the final decision?
- The client's internal culture. Are they innovators or conservative? Will your staff be productive in this type of environment?

Regardless of whether you take a "structured" approach to sales qualification, you need to think about it. Not every client is worth doing business with.

Quote

The objective of this phase is to determine whether it is worthwhile submitting a formal bid for the work. For smaller projects, the quote may be a single page document. For larger projects, more detail is needed, the process being something like:

1. Pre-sales consulting to understand the issue.
2. Defining an outline solution.
3. Defining an outline implementation plan.
4. Pricing estimates, insurance and legal arrangements.

Critically, if you identify the client's acceptance criteria early, your chances of winning the business improve. Even if the quote is one page, it needs to look professional. Bad presentation will very likely lose you the business.

Pre-Sales Consulting

This may involve a member of the delivery team talking to the client for a little as 30 minutes, examining:

- The client's definition of the issue and their view of addressing it.
- Previous attempts to resolve the issue and other suppliers they worked with.
- How the client sees the issue in strategic and operational terms. Is this about improving operational efficiency or delivering against a strategic business plan?
- Where the project sits in the client's organizational structure. Is it just within one business unit?
- Scale, stability, security and quality requirements.
- Acceptance criteria (i.e., the client's definition of "success").

If they employ a third party to carry out acceptance testing, this is a warning signal (especially in the government sector). In reality, the client will be the third party. If they do not have acceptance criteria, they do not have a requirement.

Outline Solution

The outline solution should be presented in clear and concise terms, considering:

- Software to be developed, including outline architecture, scale, stability, security and quality criteria.

- Hardware requirements. In particular, if the client will need multiple live and test environments (e.g., training servers or various failover environments), this should be stated.
- System administration and configuration work required.
- Third party consultancy time (e.g., performance testing work).
- Required licenses (e.g., database development licenses).

Outline Plan

The outline implementation plan should be brief, describing:

- Project phases and timescales.
- Techniques and technical standards (e.g., PMBOK or Agile).
- Locations and communication (e.g., daily meetings on Skype).
- Number of consultancy staff to be made available.
- Number of client staff needed (especially expert users with business domain knowledge, users designated to carry out acceptance testing and system administrators).
- Acceptance testing (i.e., the client is required to organize this).
- Change control.
- Training and handover to support.

Pricing, Insurance and Legal Issues

When presenting a price estimate, it should be clear whether the price reflects working on a fixed or variable price basis. If it is fixed price, a risk premium needs to be included. Either way, the client should know that changes to scope would result in cost changes, through a change control process.

If litigation insurance is necessary, a decision should be taken about whether or not to tell the client. If it is required, the client might become aware of it through an insurance register. It may be prudent to ensure confidentiality for the policy. These costs need to be factored into the price, somehow.

The quote should outline confidentiality arrangements and ownership of intellectual property created during the project. It should be very clear how much maintenance and support has been included in the estimate. Remember, the whole point of sales qualification is to ensure that you only provide quotes to clients who pay their bills willingly.

Bid

If the project is small and the client likes the quote, they may move straight to a contract. For larger projects, a formal bid might be required. Remember, every aspect of this document needs to be presented professionally. Sloppy presentation is likely to lose the bid. Also, the document may become relevant in future litigation.

The bid document will need to expand on the areas described above for the quote. **In addition**, when producing the bid, also consider:

Requirements

- Do both you and the client have a "meeting of the minds" on what the requirements are? Is more pre-sales consulting needed?
- Is scope defined, especially which aspects of the client's business project are not in scope for the IT implementation?
- That the client has agreed to use the outline solution. Changes to it should be clearly documented.
- Are there hidden requirements, especially performance, system administration and support requirements?
- Are assumptions explicitly stated, especially concerning your understanding of how the client's environment works?
- Purchases the client has agreed to make, not forming part of the project scope.
- Start and end dates.

Implementation Approach

- That the client has agreed to let you use your own techniques (e.g., PMBOK or Agile).
- The extent to which particular client business standards are part of the implementation (e.g., mandated mathematical calculations in reports, use of third party actuarial engines).
- Project phases (e.g., Agile sprints), with defined deliverables.
- Acceptance criteria (or an acceptance process) for each phase.
- Deadlines by which the client is required to have completed acceptance testing.
- Whether certain parts of acceptance testing are on the critical path.
- Is a project office needed? Has this been budgeted?

Estimates

- Has every aspect of every stage been estimated by someone who can accurately estimate that particular work unit? Independent estimates should be produced by other people and compared to the first set.
- In aggregate, do estimates match the project timescale?
- Do estimates allow for?
    - Project management and project office activity.
    - Third party management.
    - Data conversion.
    - Reviewing, testing and auditing.
    - Support.
    - Disruption due to changes in the way that the client's business unit will work.
    - Training and project induction lag (e.g., issuing security passes).
    - Acceptance testing support.
- Has contingency been allowed for?
    - Vacations.
    - Illness.
    - Training and mentoring.
    - Increases and decreases of the number of people on the project, taking into account the induction and knowledge transfer overhead involved in this.

Costs

- Is it clearly stated that the proposal is <u>either</u> on a fixed <u>or</u> variable price basis?
- If fixed price, has a fixed price premium been included?
- Have all estimates of time been translated into actual costs?
- Is the client being given any time "for free"?
- Are the costs in the bid comparable to the original quote? If higher, does the client have sufficient budget?
- Are expenses included (e.g., travel, hotel)?
- Training or mentoring budget needed?
- Hardware costs.
    - Development servers (including source control and backup).
    - Test servers.
    - Developer PCs.
    - Analyst and project management PCs.
    - Live server (if the client wants this included).
    - Network and router installation.
    - VPN, DMZ, firewalls and intrusion detection.
    - Printers, paper and toner.
    - Hardware support contracts.

- Software costs.
    - Third party tools.
    - Development licenses, especially database licenses for development and test servers.
    - Source control, developer wiki, bug tracking and automated build environments.

Project Organization Chart

- Internal team organization chart.
    - Project management.
    - Project office.
    - Team leaders.
    - Support, including the build manager.
- Reporting lines to the client.
- If client personnel are to be included in the project, where do they appear in the chart?
- Where third parties sit, especially whether they report as subcontractors or are directly responsible to the client. Is this clearly understood?
- Has the proposed project manager reviewed all of this?
- Are defined individuals able to start at the right time?

Environment

- Office locations, including how much space the client needs to make available.
- Are locations able to accommodate all necessary people and hardware?
- Do the buildings have heat or ventilation problems? Will adding extra people and hardware create a sauna, causing environmental and illness issues?
- Do the locations have security requirements? Are you prevented from transporting materials from one location to another?
- Do any of the locations have network bandwidth restrictions, especially Wide Area Network problems?

Legal and Risk

- Has a risk analysis been carried out?
- Are commitments made on behalf of third party subcontractors reflected in the contract you have with the subcontractor?
- When numerical criteria are included (e.g., performance criteria like transactions per second) is the testing method also defined?
- Are invoicing terms clear?
- Is a change control process defined?

- Are any service levels reasonable, achievable and measurable?
- Has all necessary insurance been identified? Is a decision needed on how much of this is communicated to the client?

Document Quality

- Does the bid document have a management summary at the start? Does this mention the overall cost?
- Have most or all of the issues above been thought about and, if necessary, documented somewhere in the bid?
- Are parts of the bid unclear or confusing? Would diagrams, tables and a glossary help?
- As a whole, is the bid document coherent? In particular, if multiple people wrote sections, does the entire thing need to be re-written with a single "voice"?

Quiet Time

Now, stress. After submitting the bid, you face a dilemma of either maintaining contact with the client during their decision process or leaving them alone. The argument for leaving them alone is simple: you want to appear cool and confident.

If you decide to maintain contact, it is better to have agreed to meet with them during consideration of the bid <u>before</u> having submitted the bid. If you detect delays in the decision process, find out why this is happening. If a particular decision maker is reluctant, talking may help. They may have had a concern not addressed in the bid document, easier to deal with face-to-face. For example, they may want an assurance that you do not use certain personnel.

If references were given as part of the bid, it may be possible to find out if referees have been contacted. Otherwise, you need to wait.

Negotiation

Most contracts signed between IT consultancies and clients are pro-forma documents, with a few items detailed in a schedule. Many projects start without a contract being signed. If negotiation of the actual contract document becomes complex and you think you need a lawyer, get one.

Negotiation is an art and difficult to describe in systematic terms. There are, however, some basic principles you should keep in mind at every stage of negotiation:

- If you give something, take something. If the client wants a lower price, reduce the scope of the project.
- <u>Every</u> scope change is a price change.
- The greater the risk to you, the greater the price for the client.
- The greater the risk to you, the more you should want to retain intellectual property in the work produced.
- Lowering your price without taking something from the client communicates that you have a lower quality proposition, compared to your competitors.
- It is <u>not</u> an objective of negotiation to have the client "like" you. It is preferable to maintain their respect. Being overly close to clients is often disastrous for IT consultancies.

During negotiation, clients frequently attempt to dangle two particular carrots: the framework agreement and the support contract. These are usually insincere and are an attempt at "giving" something without making an actual commitment.

Framework Agreement

Notionally, for the promise of future consultancy work, the client will ask for a reduction in per-day consultancy fees, listed in an appendix to a separate "framework" agreement. The reduction is a substantial discount to the per-day rates mentioned in your bid. The framework agreement dangles the prospect of years of future "partnership" with the client.

The fundamental problem with this is that the framework agreement will be drafted to be as unenforceable as possible, with risk pushed onto the consultancy. In legal fees, it costs the client almost nothing, commits them to almost nothing and saves them a great deal of money. It is just a piece of paper. In reality, nothing has been "agreed".

If the client really wants a "partnership", they should sign a normal multi-year sourcing contract, with concrete commitments and a valid change control

process. If they want to see how the relationship develops, they should accept your bid for the current project and re-visit the issue after successful delivery.

If you lose a bid because a competitor was willing to sign a framework agreement, you have succeeded in lowering <u>their</u> margins. They will have less people available for business with higher margin clients. Their opportunity loss could be your opportunity gain.

Support Contract

For a manager in an IT consultancy, the prospect of high margin support work on a client's system after successful project delivery can be mouthwatering. It might be tempting to think that lowering margins on the development project is worth it for multi-year support work, after the fact. Unless you have a sector leading commoditized product, needing little client configuration, it rarely works out that way.

The people you negotiate the support contract with may not be the same people that you spoke to for the initial project. By lowering your margin on the development project, it is perfectly reasonable for the client to think that per-day consultancy rates in support will be even cheaper. The client is unlikely to be stupid and will understand that you will probably use much more junior personnel during support. Lowering margins for projects damages your brand. Clients know this.

It is perfectly reasonable to bid for support work <u>after</u> project delivery. Again, the whole point of starting the sales process with sales qualification is to filter out underpaying clients.

Handover

If you win, handover to the implementation team needs to be professional. This matters in terms of building client confidence in the people who will deliver the actual solution.

At a minimum:

- Brief the implementation project manager on the sales process, the bid and the contract.
- Hand over a list of all client personnel that you were in contact with and why you were speaking to them.
- Hand over all notes and documentation related to the client.
- Arrange a handover meeting with the client, introducing the project manager and preferably the senior members of his team.

And that's that.