

## “Buying/Purchasing decisions are moving higher in organizations! Part I WHAT do I do? Why do I need to change what I’m doing today?

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Recent information in the news<sup>3</sup>, our own management experience, and feedback from our clients indicate decisions for large \$ purchases are being reviewed by higher levels of management, committees, and in some cases the CEO/President level. The reasons (The **WHAT & WHY**) are numerous, and if understood can help us decide what to do and how to deal with opportunities in this economy to succeed:

- Reduced revenue means reduced cash flow. In order to preserve profit levels (or to minimize profit decreases) all departmental spending is being reviewed for potential reduction.
- Large projects/investments are placed under review and/or are re-examined.
- When managers and project leaders hear this from senior management they stop and review their spending/projects and determine if/how to proceed with budgeted projects or new projects pending upper management approval. This causes delays in approving projects.
- In certain circumstances senior management will change how decisions are made for major purchases. Oversight committees or senior management review of all projects greater than a certain \$ expenditure will be examined and in many cases RE-Justified.
- RE-Justification by senior management and/or committees will look at some or all of the following to either bless, delay or eliminate an investment/purchase:
  - Re-Prioritization of capital investments (CARS\*) in light of economic conditions. This may take time if multiple departments are involved in assessing the impact of the economy and revenue generation.
  - Is it Cost/Value Justified in light of re-prioritized projects? Some projects may be red-lined for extensive review or outright elimination in light of the economic conditions.

- If projects have not undergone formal Value/Cost Justification they are now required to have that work done.
- Senior management in many cases will ‘roll-up-their-sleeves’ and undergo a careful examination of major projects.
- Recent articles<sup>1</sup> indicate only high priority investments/projects are allowed to continue.

### So, WHAT do we do & WHY do we do it?

As discussed in previous newsletters and in our workshops with sales representatives and senior management the following are what we recommend in any economic environment. In today’s economy these items are even more important for us to be successful:

1. **WHAT** - Ensure we are pre-planning our revenue generation activities to focus on ‘high priority’ prospects or customer projects.  
**WHY** – High priority and/or high VALUE projects to the prospect/client are more likely to be approved.
2. **WHAT** – Review all of your sales projects to determine if Value/Cost Justification has been done WITH the clients/prospects and if not, initiate this activity with your client/prospect as soon as feasible.  
**WHY** – You and I already know, based on many articles and 3<sup>rd</sup> party studies that projects/investments with cost/value justification are more likely to be approved. Senior management will prioritize investments and will make tough decisions about which ones will live, be delayed, or die an unmerciful death. (Googling Value Justification = 12,000,000 hits, & Cost Justification = 6,600,000 hits...it's on every senior executives mind today!)
3. **WHAT** – In new opportunities attempt to gain access as high in the organization as possible to begin your sell/buy cycle. Prepare your account strategy to focus on what may be the HIGHEST priority ISSUES (remember Psychoeconomics – buyer’s value loss twice as much as gain<sup>2</sup>).

# What & Why – Strategy – Part I



## WHY –

- In new project initiations >80% of the time senior mgt. is involved early to set strategies, objectives and priority to the project (see Figure 1). This means they may allow themselves to be available to sales personnel in the initial stages of a purchasing decision (During Phase 1...see the article on HOW and WHEN).
- As previously discussed senior management is re-evaluating projects for priority. Getting access and helping them identify high priority issues to focus on increases your probability of success. Even, if your products & services don't historically have value justification that reaches senior management (historically the CEO of your projects decision is at the department level) it is still important to help the department manager raise your project to his/her highest priority.

4. **WHAT** – In existing opportunities, gain access to higher level executives as quickly as possible (we are assuming you have helped lower level mgt. uncover VALUE in your project). If you are unable to gain that access prepare your Champion or sponsor with compelling information for senior management.

**WHY** – Senior management is re-prioritizing and evaluating projects. It becomes imperative that we help our champion/sponsor be a winner in the eyes of their manager(s).

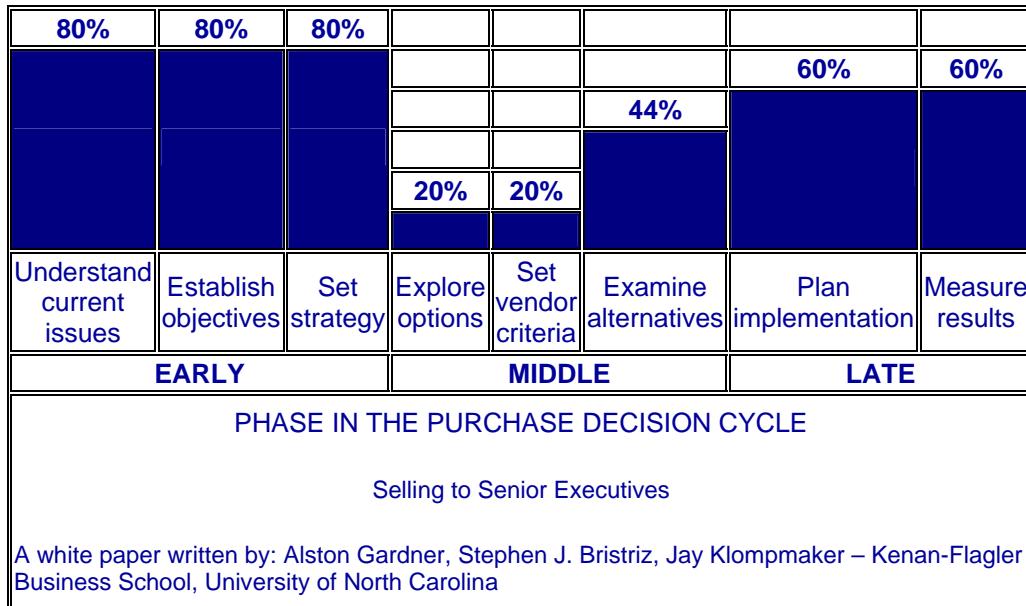
More on this subject in future newsletters!!

[Tips and Tactics for the HOW/WHEN on this subject.](#)

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## Senior Executive Involvement in the Purchase Decision



**Figure 1**

<sup>1</sup>In a downturn, [Provoke your Customers](#) by Philip Lay, Todd Hewlin, Geoffrey Moore – Harvard Business Review ([www.Hbr.org](http://www.Hbr.org))

<sup>2</sup>[CNN Money - Psychoeconomics - Date/Issue:](#) JULY 1995 VOL.24 NO.7 **Section:** COVER STORY

<sup>3</sup>[Smart Selling in Tough Times](#) – John Kratz, Ken Jondahl, The Vision Group, March 2009 – Duluth Business Expo

\*CARS (Capital Authorization Requests)