

LEARN@LIFT:

Episode 3

## Troubleshooting Back Office Slow Downs

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### CUSTOMER DISCOVERY: Module 8, Episode 3

#### Managing & Scaling Up a Successful Pilot

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**TITLE:**

Troubleshooting Back Office Slow Downs

**DESCRIPTION:**

Dig into three common yet challenging scenarios with examples of how to respond to keep your deal moving forward

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**[LEARN@LIFT Episode Intro]**

Welcome back everyone! If you plan on selling to corporates, there is no doubt you'll face issues with back-office departments like accounting, procurement, and legal. As we shared in an earlier episode, procurement can be an especially difficult area for your startup to navigate, since the process is designed for companies much larger than yours. An increasing number of large companies are building out special procurement processes for startup collaborations, but it's not yet an industry standard. [INSERT COMCAST SPECIFIC EXAMPLE HERE]

Despite your best efforts to plan ahead, and your counterpart's best intentions to set out a smooth process for you, countless startup-corporate partnerships have gotten tripped up while navigating the back office so in this episode, we're going to review some examples and troubleshooting tactics when you're facing challenges and slow downs. Let's get started.

In a typical negotiation, you'll have a point of contact for your commercial agreement. This point of contact could be a director of a specific function, a department head, or even someone in the innovation group. This is the individual you'll be negotiating all the legal terms we discussed in another episode — terms like exclusivity, first right of refusal, and so on. Once

you reach an acceptable set of terms, you'll be sent to procurement. And when a deal gets stuck here — maybe it's been two weeks, and you've not heard from anyone about your next steps — you'll want to write up an email that draws attention to the situation, and gives your point of contact a sense of the difficulty you're facing.

Here's an example email to give you a starting point. Keep in mind this email would be sent to your counterpart — the person who is directly benefiting from a deal with your startup:

Hi {{Partner}},

I'm writing in hopes you might have some ideas on how to get our contract through procurement. We're about a month in, and I haven't been able to make any real progress on the agreement.

So far, we've spent ~{\$X,XXX} in legal fees reviewing contract markups, to try to expedite the review process, but it's been over 2 weeks since we've heard back from anyone and I'm at a bit a loss on the best next steps.

I know it was important to you to be able to kick off our pilot this spring so that you'd be on track for your review at the end of the fiscal year. We're dipping into that time frame now, and I'm concerned we won't meet the timeline you set out.

What do you think we should do next? Would it be helpful to set up a quick call to discuss the situation and assess our options?

Thanks so much,

Here's why this type of email can be effective. First, you're reaching out to the person who stands to benefit from working with you — the person who's pushing for a deal with you. This person may not fully realize what happens during the back off processes of procurement, legal, and accounting. So, raising the alarm for your buyer is a great first step to increase urgency.

Next, showing this individual how the delays in the procurement process will impact their own project goals and timelines is another effective tactic. One thing startups often miss when interacting with large companies is the fact that each silo within the company has different needs. The team signing off and paying for the work is trying to solve a particular need. But the procurement department doesn't have the same need or timeline. For them, the only goal in this process is getting the contract done without any risk to the company whatsoever. This means they may go through their normal rules and procedures without any real regard for the business unit's timeline. Finally, this email is written with respect and care, but is candid enough about the repercussions and pace of the process. Creating a sense of urgency while maintaining a respectful tone is a fine line, and it's critically important. How you interact with your partner now will be a window into the future of how you'll react when your partnership hits bumps in the road.

Depending on who your internal champion is and the particular company you're selling to, it's possible to have some exceptions made to their standard process. While this is not something to rely on, if what you're asking for is relatively low-risk, you may get the exception granted. For example, if you're being pushed through a long procurement process but you're using a boilerplate or open-sourced contract, you may get an exception. Here's an example of how to go about asking for this from your counterpart:

Hey there,

I spoke with the procurement contact you put me in touch with, and it seems like this is going to be a significantly slower process than we thought. I don't want to hold things up, but I also don't want to start things without a signed contract.

The contract I'd prefer to use is an industry-standard contract that most all design teams use; it's open-sourced and thousands of companies use it. The only changes I've made are adding in basic details about our project scope and cost.

Do you know if there's any way to move the contract-signing process along, without waiting for the procurement team's timeline to play out? And, if procurement is the only option, how does that affect the project timeline on your end?

Here's the contract and proposal attached for you to reference. Thanks for your advice and feedback on this!

The most important observation to make about this example is the emphasis on this being a safe move. As you learned in previous episodes, risk is of paramount importance in a corporate environment. As much as your counterpart may want a project to start on time, they won't make exceptions if it increases the risk. Another thing to observe is how the designer framed their request as being to corporate's benefit when saying, "I don't want to hold things up..." and, "How does that affect the project timeline on your end?"

Now, let's pivot into a discussion about pricing. The most common challenge you'll deal with is a procurement team asking for a steep discount from you. And for good reason. A large company typically buys in massive volumes, whether we're talking about office chairs or CRM accounts. As an example of what these discounts look like, imagine the typical subscription for your software is \$12 per month, per user. A potential corporate partner wants accounts for 1,000 employees. The standard cost for this would be \$12,000 per month, or \$144,000 per year. Not cheap, to say the least. However, the procurement team wants a discount of \$4,000 per month, so they would only pay \$8,000 per month for the 1,000 accounts. While you should expect procurement to ask for a discount, you can also negotiate something in return. In this case, you may want to accept their 33% discount, in exchange for a year or two-year contract. If you typically offer month to month payments, ask for a lump-sum payment of \$96,000 upfront for the entire year. Or make it two years.

As we've hopefully made clear, a dollar has a very different relative value to startups vs large companies. For your startup, dollars in the bank today are incredibly valuable. You can use this money to hire new team members, improve your product, or advertise to reach more customers. In contrast, your corporate counterpart usually has their cash budgeted by quarter or fiscal year. So whether they pay for your service monthly or yearly is often irrelevant - which

of course, would not be the case at an early stage startup. Even if you end up billing them for your service monthly, it is extremely unlikely that they are thinking about this cost in monthly terms - that simply isn't the pace of corporate. Sometimes, the reverse situation can also happen - your corporate counterpart will proactively bring up paying upfront for your service in exchange for a discount. Either way, it's a good setup for a win-win deal.

Finally, let's look at one more scenario and a troubleshooting email that can go along with it:

Hey {{Partner}},

I could use some of your help and direction here. My accounting team just let me know we're still waiting on payment for our contract, and at this point, it's going on 45 days past the already extended timeline we agreed to.

I've tried asking your contacts with procurement for guidance, but in both cases, they directed me to the general accounting@ email address, which hasn't gotten any response yet.

The last thing I want to do here is suggest some type of legal recourse, point to our contract, or start asking for penalty payments. We're building an incredible partnership together, and this payment would go a long way to say to my team that you're committed to our success, too.

What do you suggest we do next?

There are a few things to notice here. First, this scenario is pointing to a fairly common reality: once your contract is signed and you're an approved vendor with an invoice submitted against a purchase order, you'll get started delivering on your engagement while awaiting payment. And... that payment doesn't come in.

In this case, like we said earlier, you'll want to alert your partner to make them aware of the situation, while outlining what steps have already been taken — without results. Then, the

phrase that's used here starts with, "The last thing I want to do..." which signals there are other options that are within the realm of possibility, but you're giving your partner a chance to lead you to a better alternative. Why's that? Because your priority remains a successful partnership, and your team is finding it hard to believe that your partner is committed to. So in this way, you're triangulating yourself from the situation to help both sides of the relationship — your partner and your team — stay committed. You've created an opportunity for your partner to demonstrate they're in this with you. And of course, this is a much better alternative than trying to actually pursue your contractual rights — imposing penalty payments or becoming overly litigious.

Finally, rest assured that these mistakes and slowdowns are usually not malicious: instead, they are simply problems associated with living in a different reality. As we discussed in detail earlier, people in corporate are speaking a different language, are judged on different metrics, and have different time horizons than their startup brethren. Keep calm, and carry on delivering incredible work.

**[Insert Episode Closing]**