

The Art of Negotiation: Best Practices for Success



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Introduction

This whitepaper closely examines techniques that are key to In-Flight Negotiations. Specifically, we will address critical components of successful negotiations, including:

1. **The Negotiation Process**
2. **Key Principles**
3. **Strategy and Tactics**
4. **Best Practices**
5. **Lessons Learned**
6. **Conclusion**

1. The Negotiation Process

There are two distinct phases and four critical steps to a successful negotiation process, as illustrated below. Preparation is key to the process to ensure that you are negotiating from a position of strength. The old adage “knowledge is power” certainly holds true when it comes to leveraging timely market intelligence to achieve cost reductions in negotiations.

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The Negotiation Process

Preparation

Execution

Develop Negotiations Strategy

- Supplier Scorecard current price paid, customer service performance, etc.

Prepare for Negotiations

- Market conditions/ trends analysis
- Benchmark pricing

Conduct Negotiations Sessions

- Negotiation strategy worksheet
 - Objective
 - LAA
 - MDO
 - BATNA

Follow-Up and Provide Feedback

- Team roles definition
- Negotiation tactics worksheet
- Supplier presentation package
- Stakeholder buy-off pack

2. Key Principles

There are several key principles to consider when engaging in successful negotiations. Understanding these principles beforehand, and knowing the concessions you are and are not willing to make, can provide clear parameters during the process.

- It is important to define clear negotiation targets, such as:
 - LAA – Least Acceptable Agreement
 - MDO – Most Desired Outcome
 - BATNA – Best Alternative to a Negotiated Agreement
- Start LOW!
- No “presents”, give concessions only with something in return
- Look for multiple creative concessions to enlarge the pie

- Make small and decreasing concessions over time
- Stay calm and polite
- Negotiating is a team approach
- Never agree under time pressure – take as many rounds as needed
- Always remember and underline your organization's strengths

3. Strategy and Tactics

Hand in hand with key principles are negotiation strategy and tactics. ProcureAbility has developed worksheets to outline best possible outcomes.

A. The following worksheet can help you to best outline your strategy

Negotiation Strategy Worksheet (Example)

	Objective	LAA	MDO	BATNA
Price				
Quality				
Service				
Other				

LAA - Least Acceptable Alternative

MDO - Most Desirable Outcome

BATNA - Best Alternative to a Negotiated Agreement

B. It is also important to use a tactics worksheet, similar to the one below

Negotiation Tactics Worksheet (Example)

	Issue	Key Message	Anticipated Response	Counter Response	Concessions	Priority
Price						
Quality						
Service						
Other						

C. Be sure to prepare a contingency plan as the Best Alternative to a Negotiated Agreement (BATNA)

- A best alternative to a negotiated agreement:
 - Defines what each party will do if a mutually acceptable agreement is not met, i.e., action in the event of a deadlock
- Is a unilateral action on your party's part
- Is the standard against which any proposed agreement should be measured
- A contingency plan will be extremely beneficial as it:
 - Strengthens your position in the negotiation
 - Helps protect against making an agreement that should be rejected
 - Provides valuable information – gathering information and evaluating an opponent's contingency plan will give you the upper hand in the negotiation

D. Follow a checklist

- Bargaining Power
- Supplier Scorecard
- Market Conditions Worksheet
- SWOT Analysis
- Negotiation Strategy Worksheet
 - Objectives
 - "Needs" (Least Acceptable Agreement)
 - "Wants" (Most Desired Outcome)
 - "Contingencies" (BATNA)
- Sequencing plan
- Team roles definition
- Negotiation tactics worksheet
- Organization of negotiation rounds is planned (overhead projector, coffee...)

4. Best Practices

The negotiation session itself should be conducted professionally, kept under control, and be well documented. Some of the following practices may seem commonplace, however, that is not always the case. Follow these best practices to gain an overall advantage.

A. Be professional

- Be on time and stay throughout the meeting
- Have all useful data with you (presentation slides, supplier RFP...)
- Be well prepared on the objectives of the meeting

B. Keep control on the meeting

- Follow the agenda, and switch to next topic before running out of time; use a time keeper
- Ensure supplier understands the key messages; don't hesitate to reformulate
- Use a time-out option when appropriate

C. Document key discussion points

- Assign note-taker prior to meeting
- Areas of agreement on commercial and non-commercial issues
- Open issues and necessary next steps to get closure
- To-do's by each party and firm due dates

Negotiating Best Practice Positions vs. "Hard" or "Soft" Negotiating Positions

Typical Negotiating Positions		Best Practice Negotiating Positions
Soft	Hard	
<ul style="list-style-type: none"> • Participants are friends • The goal is agreement 	<ul style="list-style-type: none"> • Participants are adversaries • The goal is victory 	<ul style="list-style-type: none"> • Participants are problem-solvers • The goal is wise outcome reached efficiently and amicably
<ul style="list-style-type: none"> • Make concessions to cultivate the relationship • Be soft on both suppliers and the problem • Trust suppliers 	<ul style="list-style-type: none"> • Demand concessions as a condition of the relationship • Be hard on both the problem and the supplier • Distrust suppliers 	<ul style="list-style-type: none"> • Separate the supplier from the issues • Be soft on the supplier, hard on the issues • Proceed independent of trust
<ul style="list-style-type: none"> • Change your position easily • Make offers • Disclose your bottom line • Accept one-sided losses to reach agreement 	<ul style="list-style-type: none"> • Dig into your position • Make threats • Mislead as to your bottom line • Demand one-sided gains as the price of agreement 	<ul style="list-style-type: none"> • Focus on outcomes, not specific positions • Explore creative interests • Avoid having a bottom line • Create options for mutual gain
<ul style="list-style-type: none"> • Search for single answer: the one suppliers will accept • Insist on agreement 	<ul style="list-style-type: none"> • Search for single answer: the one you will accept • Insist on your position 	<ul style="list-style-type: none"> • Develop multiple options to choose from; decide later • Insist on objective criteria, driven by fact-based analysis
<ul style="list-style-type: none"> • Try to avoid a contest of will 	<ul style="list-style-type: none"> • Try to win a contest of will 	<ul style="list-style-type: none"> • Try to reach a result based on standards, independent of will
<ul style="list-style-type: none"> • Yield to pressure 	<ul style="list-style-type: none"> • Apply pressure 	<ul style="list-style-type: none"> • Reason and be open to reason - yield to principle, not pressure

Source: *Getting to Yes - Negotiating Without Giving In*, Roger Fisher and William Ury

5. Lessons Learned

When the negotiation process is complete, it's time to revisit the process to evaluate what worked and what can be improved upon in future negotiations. It is also important to communicate the successes and lessons learned to other internal stakeholders.

- **Promote successes** within the organization via internal newsletters and other forms of communication such as your intranet; remember to “ring the bell” each and every time savings is generated and share credit with the entire stakeholder team
- Initially, look for a couple of **“quick wins” to gain support** from internal stakeholders
- Create a mix of large, complex projects with less complex, smaller projects
- **Don't say “no”** to helping a business owner, especially early on in a program – building relationships and helping the business owner achieve his or her goals is critical to gaining trust and access over the longer term
- **Top-down support** is critical for this type of program to work, for example, a COO mandate plus numerous presentations to/discussions with business owners at both the director and VP level are recommended
- Top-down support is NOT enough – a “bull in a china” shop approach will not work because front-line

business managers will shut you out; it is critical to **build relationships at the manager level** and to make sure that goals and objectives are aligned, otherwise, roadblock after roadblock will be presented

- Sometimes there isn't much leverage with a particular category, but fortunately that is very much the exception rather than the rule (when you can't or are unwilling to switch suppliers or when the business owner has given the supplier the inside track and already “awarded” the business without going through the process)
- **Good business judgment trumps technical knowledge** in In-Flight work. Always keep the business objectives and trade-offs in mind when negotiating and selecting suppliers. That's always true in sourcing projects, but because the timing is compressed within In-Flights, making conscious business judgments is that much more important.

6. Conclusion

To remain competitive in today's environment, companies must take an innovative, aggressive approach to contract renegotiation and re-sourcing. Renegotiating contracts can be a daunting task, but with ProcureAbility's collaborative approach that is flexible yet methodical and prioritized, you can create sustainable results.

About ProcureAbility

ProcureAbility™ transforms traditional, outdated consulting and staffing models by offering our clients advisory and resource support on their terms.

Our delivery model is unique. We give clients access to unbundled resources, plus the ability to selectively add value through leading-edge methodologies, the latest best practices, and specialized insight and advice—an approach unheard of in traditional consulting and staffing firms.

ProcureAbility's customer-focused delivery model allows for a wide range of flexibility:

- **Working with strategic or tactical experts** who can deliver a wide range of solutions, from consulting to staffing
- **Scaling a team your way**, from individual resources to complete project teams
- **Adding value as needed** from a deep and broad library of procurement insights
- **Choosing remote or on-site support options** — or both

Since 1996 we've focused only on procurement's success. **It's all we do.**

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