The Art of Negotiation:
Best Practices for Success
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.

Do More With Less
Learn more about how ProcureAbility can fast track your Procurement Transformation.

The Negotiation Process

<table>
<thead>
<tr>
<th>Preparation</th>
<th>Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop Negotiations Strategy</td>
<td>Conduct Negotiations Sessions</td>
</tr>
<tr>
<td>Prepare for Negotiations</td>
<td>Follow-Up and Provide Feedback</td>
</tr>
</tbody>
</table>

- Supplier Scorecard: current price paid, customer service performance, etc.
- Market conditions/trends analysis
- Benchmark pricing
- Negotiation strategy worksheet
  - Objective
  - LAA
  - MDO
  - BATNA
- 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

### 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)*

<table>
<thead>
<tr>
<th>Objective</th>
<th>LAA</th>
<th>MDO</th>
<th>BATNA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Key Message</th>
<th>Anticipated Response</th>
<th>Counter Response</th>
<th>Concessions</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
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<tr>
<td>Other</td>
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</tr>
</tbody>
</table>

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...)

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### Negotiating Best Practice Positions vs. “Hard” or “Soft” Negotiating Positions

<table>
<thead>
<tr>
<th>Typical Negotiating Positions</th>
<th>Best Practice Negotiating Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Soft</strong></td>
<td><strong>Hard</strong></td>
</tr>
<tr>
<td>• Participants are friends</td>
<td>• Participants are adversaries</td>
</tr>
<tr>
<td>• The goal is agreement</td>
<td>• The goal is victory</td>
</tr>
<tr>
<td>• Make concessions to cultivate the relationship</td>
<td>• Demand concessions as a condition of the relationship</td>
</tr>
<tr>
<td>• Be soft or both suppliers and the problem</td>
<td>• Be hard on both the problem and the supplier</td>
</tr>
<tr>
<td>• Trust suppliers</td>
<td>• Distrust suppliers</td>
</tr>
<tr>
<td>• Change your position easily</td>
<td>• Dig into your position</td>
</tr>
<tr>
<td>• Make offers</td>
<td>• Make threats</td>
</tr>
<tr>
<td>• Disclose your bottom line</td>
<td>• Mislead as to your bottom line</td>
</tr>
<tr>
<td>• Accept one-sided losses to reach agreement</td>
<td>• Demand one-sided gains as the price of agreement</td>
</tr>
<tr>
<td>• Search for single answer: the one suppliers will accept</td>
<td>• Search for single answer: the one you will accept</td>
</tr>
<tr>
<td>• Insist on agreement</td>
<td>• Insist on your position</td>
</tr>
<tr>
<td>• Try to avoid a contest of will</td>
<td>• Try to win a contest of will</td>
</tr>
<tr>
<td>• Yield to pressure</td>
<td>• Apply pressure</td>
</tr>
</tbody>
</table>

|                           | • Develop multiple options to choose from; decide later |
|                           | • Insist on objective criteria, driven by fact-based analysis |
|                           | • Try to reach a result based on standards, independent of will |
|                           | • 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.

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