



Negotiation 101



The Institute of Supply Management identifies negotiation as the most important skill of SCM professionals & yet the weakest in terms of delivery. However, not at WMU. In fact, our supply chain majors are now required to take Global Negotiation with Sales majors. Do you see the synergy?

Negotiation

- Defined
 - A process of planning, reviewing and analyzing used by a buyer and a seller to reach acceptable agreements or compromises which include all aspects of the business transaction, not just price.



Negotiation

- Negotiation is not a zero-sum game. In a zero-sum game, one side must lose if the other side wins. In purchasing negotiations, both sides can win something, although one side can win more than the other.



Negotiation

- Objectives of negotiation
 - To obtain a fair and reasonable price for the quality specified
 - To get the supplier to perform the contract on time.
 - Requisitioning department needs to act in a timely fashion
 - Need to give suppliers realistic delivery schedules

Negotiation

- Control - the buyer can negotiate
 - Policies, procedures and training
 - Number and qualification of personnel working on contract
 - Tools and equipment
 - Process improvements
 - Security procedures
- Cooperation and continuing relationships
 - Obtained through professional treatment of the supplier

Negotiation

- Appropriate when
 - Conditions for competitive bidding are not met.
 - Early supplier involvement is desired
 - Long term contracts are desired
 - The buyer is contracting for a portion of the sellers capacity
 - Products of a specified supplier are desired to the exclusion of other suppliers

Negotiation

- Buyer's role
 - Sole agent of the company
 - Should the negotiations be held in the buyer's office?
 - As a team leader
 - Leader on contractual issues, not technical ones.
 - Must weld the team members into an integrated team.

Negotiation

- Negotiation process
 - Preparation
 - Establishment of objectives
 - Face-to-face discussions



Negotiation

- Preparation
 - About 90% of effort
 - Must have
 - Technical understanding of product
 - Understand relative bargaining positions
 - A price or cost analysis
 - Knowledge of seller

Negotiation

- Establishing objectives
 - For each term or condition, establish a minimum position, maximum position and an objective position.
 - P. 304 lists a number of items that may be negotiable.
- Dynamics of negotiation

Negotiation

- Recommended phases of face to face negotiations
 - Fact finding - resolve inconsistencies between supplier's proposal and buyer's information. Discuss and clarify the items in the proposal before getting into the bargaining phase.

Negotiation

- Recommended phases of face to face negotiations (continued)
 - Recess - Buying team head negotiator should call for it. Reevaluate position and objectives. Formulate agenda for next meeting. Focus on specific issues, and start with easiest one first (or one where you are willing to let the supplier win). The buying team head negotiator should work to keep the meeting on the subject.

Negotiation

- Recommended phases of face to face negotiations
 - Narrowing the Differences - the buying team head negotiator should define each issue, state the facts clearly, then state why the buyer's position is reasonable. If agreement cannot be reached, the issue may be set aside for later consideration. Resolution of other issues may unblock the obstacle.

Negotiations

- Recommended phases of face to face negotiations
 - Hard Bargaining - Take-it-or-leave-it tactics. Don't bluff unless you are willing to have the bluff called. Avoid leaving the seller feeling he has been unfairly treated.

Negotiation

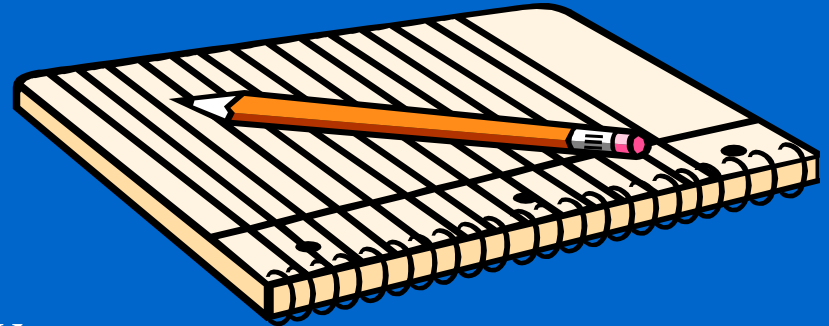
- Negotiation tools and techniques
 - “Murder Board” or mock negotiation
 - Keeping the initiative
 - Use diversions (when appropriate)
 - Be a good listener - you only gain information from listening, you can only give it away by talking. Also:
 - Better to remain silent, and thought a fool, than to speak and remove all doubt.

Negotiation

- Negotiation tools and techniques
 - Be considerate of sellers
 - Buyers lose no negotiating advantage by being considerate of sellers personally or by letting them save face.
 - Never give anything away
 - Benefits do not have to be equally divided

Negotiation

- Documentation
 - Subject
 - Introductory summary
 - Particulars/procurement situation
 - Negotiation



Eckert's Negotiation Top 10



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Negotiation is a **PROCESS** not an event

Start with understanding the foundation you will be working from, do the work to get prepared, bargain, and create and lock-down outcomes. If you just show up for the event, you have already lost.



Whoever PREPARES best, wins!

- Set goals
- Dissect issues
- Determine ranges
- Set speaking, info, and interaction strategies



DO THE WORK!

CULTURE



People negotiate and people are extensions of their culture. So learn and adapt!

MATTERS

SEE BOTH SIDES OF THE TABLE

When you take the time to learn how the other party sees the issue, your ability to find wins increases



Statements
Outperforms
Questions

ALL situations have info gaps. Great negotiators understand that questions fill the gaps best



Negotiation wins often come when we expand the scope, time frame and goals of the deal

Get out of the BOX

MOVEMENT Generates MOVEMENT

Negotiate in good faith by expecting and planning for movement. Pre-plan 2-3 pts.

Do NOT Start

Always leave room to move. Consider the typical movement range and be sure opening position can be defended

where you want to finish

BE POWERFUL

Expert Legitimate Referent



Time Competition Info

Assess and build!

SILENCE



GOLDEN

NEVER NEGOTIATE AGAINST SELF