

**Tactical Negotiation: Simple
"How To" Steps to Prepare for
Negotiations**

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Course Objective

Provide simple tactical tools that anyone can use to prepare, plan and lead a negotiation.

THE FOG OF WAR

Term used by Carl von Clausewitz, 1800's Prussian military analyst on his book, "On War"

The fog refers to the "uncertainty in situational awareness"

The term seeks to capture the uncertainty regarding one's own capability, adversary's capability, and adversary's intent during an engagement, operation, or campaign. Or in negotiations terms...

Introduction

Preparation and Planning is the most important phase of negotiations

- Removes uncertainty (“the fog of war”)
- Builds confidence
- Empowers the most inexperienced negotiator

Negotiation in Three Phases – 20 Steps

- Phase I Logistics
 - 5 Steps
- **Phase II Preparation and Planning**
 - **10 Steps**
- Phase III Negotiations
 - 5 Steps

} **75%**
of the
steps

PHASE I LOGISTICS

Step 1 Identify the team, e.g.

SME (Subject Matter Experts)
Program Manager
Price Analyst/Finance
Legal

Step 2 Assign roles and responsibilities, e.g.

Team lead –you!
Note-taker
Time keeper

Step 3 Selecting the venue – where shall we meet?

- Home turf versus away game versus neutral site
- What about electronic negotiations?
- Cultural Awareness, e.g. doing business in Europe vs. Middle East; Texas vs. Washington DC

Step 4 Room and seating arrangement – it matters!

Step 5 Be mindful of timing and time – control/influence the agenda

PHASE II THE 10 STEP PREPARATION

Step 1 List key negotiable items—for both sides!

Negotiable Items (Buyer)

Negotiable Items (Seller)

PHASE II THE 10 STEP PREPARATION

Step 1 List key negotiable items -- examples

Negotiable Items
<i>Examples</i>
Delivery Schedule
Contract terms (specific)
Price (Cost/Profit)
Timing of Contract Award

PHASE II THE 10 STEP PREPARATION

Step 2 Prioritize the list of key negotiable issues

Priority	Negotiable Items
2	Delivery Schedule
1	Contract term
3	Price (Budget)
4	Timing of Contract Award

PHASE II THE 10 STEP PREPARATION

Step 3 Define your defensible success position (no bluff)

Priority	Negotiable Items	Defensible Position or Counteroffer (\$)
2	Delivery Schedule	
1	Contract term	
3	Price	
4	Timing of Contract Award	

PHASE II THE 10 STEP PREPARATION

Step 3 Define your defensible success position (no bluff)

Priority	Negotiable Items	Defensible Position or Counteroffer (\$)
2	Delivery Schedule	Aug 31, 2014
1	Contract term	Add Alternate 1 to the clause
3	Price (Cost/Profit)	Labor Hours 34000/Profit (15%)
4	Timing of Contract Award	May 30, 2013

PHASE II THE 10 STEP PREPARATION

Step 4 Define bottom line and midpoint position(s) using trade offs

Priority	Negotiable Items	Defensible Position or Counteroffer	Mid point	Bottom line or “walk away position”
2	Delivery Schedule	Aug 31, 2014		July 31, 2014
1	Contract term	Add Alternate 1 to the clause		Non negotiable position
3	Price	Labor Hours 34000/Profit (15%)		Reduced profit (13%)
4	Timing of Contract Award	May 30, 2013		June 30, 2013

PHASE II THE 10 STEP PREPARATION

Step 4 Define bottom line and midpoint position(s) using trade off

Priority	Negotiable Items	Defensible Position or Counteroffer	Mid point	Bottom line or “walk away position”
2	Delivery Schedule	Aug 31, 2014	Aug 15, 2014	July 31, 2014
1	Contract term	Add Alternate 1 to the clause	Non negotiable position	Non negotiable position
3	Price	Labor Hours 34,000/Profit (15%)	Reduce Labor to 30,600	Reduced profit (13%)
4	Timing of Contract Award	May 30, 2013	June 15, 2013	June 30, 2013

BEST ALTERNATIVE TO A NEGOTIATED AGREEMENT (BATNA)

BATNA is the course of action that will be taken by a party if the current negotiations fail and an agreement cannot be reached. All things considered, a party should generally not accept a worse resolution than its BATNA.



PHASE II THE 10 STEP PREPARATION

Step 5 Fact-finding

- It is a must do for both Buyers and Sellers
- Start in-house – what we may already know
 - Mind back-door selling
- Use the 6-question exercise: what, who, where, when, how and most importantly...why
- When doing the fact-finding keep in mind your own key negotiation issues
 - Are they still valid?
 - Should we add new ones?
 - Have you discover potential tradeoffs?

PHASE II THE 10 STEP PREPARATION

Step 6 Identify Both Sides Leverage

Leverage Definition: the reason the other party should accept the other's position

Seller

Buyer

Leverage
Only provider available to deliver on time
Controls performance schedule (major milestone)
Buyer pressured to settle

Leverage
Seller's #1 customer (future business)
Controls award schedule (salary bonuses)
Credibility of seller's proposal

PHASE II THE 10 STEP PREPARATION

Step 7 Compare Leverage Side by Side

- Rank from strong to weak
- Look for additional sources of leverage
- Identify potential trade offs
- Know when to use it (timing makes the difference)
- What 's the other side's leverage and how will you deal with it

Seller

Buyer

Rank	Leverage
3	Award not needed to meet year end sales
2	Control performance schedule
1	Buyer's pressured to settle


Rank	Leverage
2	Seller's #1 customer
1	Control award schedule
3	Credibility of seller's proposal

TALKING ABOUT LEVERAGE...

The timing of when to use leverage is as important as the leverage itself

- At the beginning—first 5 minutes
- Whenever the other side says “NO”
- When presenting a counteroffer

What if it is a Sole Source Supplier?

- Use your customer as leverage
 - Length of Contract
 - Have a “designing them” out plan
 - Set performance specifications
 - Future business
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PHASE II THE 10 STEP PREPARATION

Step 8 Obtain Management Approval/Buy-in

- Empowerment brings confidence
- Most important for repeat customers/sellers
 - You want to be their one and only stop
- Discuss the BATNA


PHASE II THE 10 STEP PREPARATION

Step 9 Prepare for the First Critical Minutes

- Locomotive mode (with confidence)
 - Mention your leverage when presenting offer to motivate the other side
 - Make your first concession small
 - AVOID phrases like: “ I prefer... or “I’m looking for...” (Why?)
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PHASE II THE 10 STEP PREPARATION

Step 10 Rehearse the Team

- Provide them with some just in time negotiation training if needed
 - Remind everyone of their role
 - Make sure everyone understands the negotiation position and the leverage
 - Discuss attire
 - Everyone that may be seating at the table at one time or another must participate on the rehearsal
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PHASE III THE NEGOTIATIONS

Step 1 Make sure everyone is introduced (*titles included*)

Step 2 Learn who has the negotiation authority and the key influencers (*it may not be the one doing most of the talking*)

Step 3 Discuss agenda for the duration e.g. travel plans, breaks, other meetings, ground rules, etc.

Step 4 Take control, stay assertive, mind your non-verbal

- Tough on issues, but treat people with dignity and respect

Step 5 Learn the tools of the trade and how to use them and counter them

Remember to TRADE rather than give concessions

TOOLS OF THE TRADE AND HOW TO BEAT THEM

- **Cherry picking**
- **Self disclosure**
- **Silence**
- **Broken Record**
- **Time out**
- **Good guy/bad guy**
- **Deadlock and BATNA**

“A negotiator should observe everything. You must be part Sherlock Holmes, part Sigmund Freud.” – Victor Kiam

IN CONCLUSION

No tool, skill or gimmick can replace preparation and planning

- It removes uncertainty
- It brings confidence
- Empowers the most inexperienced negotiator

Negotiators are not borne, they are taught

Practice makes perfection...

Leading negotiations is a key role of professional subcontract manager– a direct impact to the bottom line!

5 COMMON BUSINESS NEGOTIATIONS MISTAKES

**SPECIAL REPORT BY PROGRAM ON NEGOTIATIONS
HARVARD LAW SCHOOL**

Mistake No. 1: Viewing negotiation as a fixed pie

Mistake No. 2: Overvaluing your assets

Mistake No. 3: Going on a power trip

Mistake No. 4: Not knowing what you really want

Mistake No. 5: Binding yourself too tightly to a deal

Reference:

www.pon.harvard.edu

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