“Negotiations”

CSU Module
CSU#2-A

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What Are Negotiations

• Negotiate - From Latin root “to carry on business”
  • Webster: To complete or accomplish
  • To confer with another to reach agreement
  • Explore options
Win-Win???

Negotiations

So far we've agreed that my company will take all the expenses and legal liabilities.

Your company will take all of the revenue, patents and public credit.

But where it says I'll dig you a swimming pool with my bare hands, I will not do that.

You win! You can use a spoon.
Principled Negotiations
(From “Getting to Yes”, Fisher & Ury)

1) Separate the people from the problem

1) Focus on underlying interests, not stated “positions”. Ask “Why”?

1) Generate options before deciding what to do. Be creative & keep an open mind!

1) Base agreement on objective criteria or fair procedure

2) Prepare in advance what you’ll do if negotiations fail. What’s your BATNA?
Interests – Getting Underneath Positions

- Separate Interests From Positions
  - Position - What you want
  - Interest - What you need (Ask “Why?”)

- Three C’s of Interests
  - Common
  - Complementary
  - Conflicting

- Prioritize Your Interests

- Evaluate Other Sides Interests
  - Ask “Why not?”

- Use Interests to Generate Options
I. Problem Identification
   What’s Wrong
   Symptoms
   Disliked Facts vs. Preferred Situation

II. Analysis
   Diagnose
   Suggest Causes
   Note Deficiencies
   Note Barriers

III. Approaches
   Possible Strategies
   Theoretical Cures
   Broad Ideas

IV. Action Items
   What Might Be Done
   Specific Steps to be Taken
   Recommendations

CIRCLE CHART: The Four Basic Steps For Inventing Options
From Fisher and Ury: “Getting to Yes”
What is your BATNA?

BATNA = Best Alternative To Negotiated (No) Agreement

Evaluate BATNA – Invent, Improve, Select

Don’t Take a Position – Consider BATNA and MPA

Consider the Other Side’s BATNA – Sole Source?
Approaching Negotiations Systematically

Preparation Objectives Conducting Review

- Tool – Use a “Framework”
- Think through BOTH sides
- Write it down
<table>
<thead>
<tr>
<th>Ours &amp; Theirs</th>
<th>Ours</th>
<th>Theirs</th>
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</thead>
<tbody>
<tr>
<td><strong>Preparation</strong>&lt;br&gt;(Do your Homework; strategy, tactics, agenda, wants vs. needs, motivations, think, questions, options, BATNA)</td>
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<tr>
<td><strong>Objectives</strong>&lt;br&gt;(Goals &amp; Needs)</td>
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<td><strong>Conducting</strong>&lt;br&gt;(Climate &amp; Physical; persons, place, things)</td>
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<td><strong>Review</strong>&lt;br&gt;(Debrief &amp; Analysis; what worked what did not, Outcomes)</td>
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Define Your Objectives

**Objectives** – Things you want to achieve
Brainstorm/BlueSky but be realistic

**Short Term**
- Urgency/Emergency
- Lowest Price?
  (Beware single focus)

**Long Term**
- Relationship/Supplier Management
- Best Cost and Overall Terms

**Evaluate Your Assumptions**
Assumption #1: The Other Side Will Be Prepared
Price/Cost Considerations

Price
- Labor and Material
- G & A/Overhead
- Profit

Price Build Up vs. Cost Break Down

Best Value = Lowest Total Cost of Ownership
- Quality – Reliability, Useful Life, Salvage Value
- Service – Maintenance Cost, Warranty, Response Time
- Delivery – Transportation Cost, Storage, Ship Date, Packaging
- Price – Payment terms, Minimum Orders, Quantity Discounts, Lease/Buy Options, Escalation Provisions

Define Your Needs – The Role of Specifications
Conducting the Negotiations: Setting the Stage

All the world’s a stage…
Cast, Staging, Set, Cue Marks,
Intermission, Program

Cast:
Principle or Lead
Expert (s)
Analyst (s)
Decision Maker (Authority)
Scribe (Recorder)
Other (s)
What, When, Why, Where and How

The 5 Functions of Questions

Function 1: Get Attention
Ice breakers, set the stage

Function 2: Get Information:
How much? When?

Function 3: Give Information:
Did you know …?

Function 4: Start Thinking:
How do we decide? What is your best price?

Function 5: Bring to Conclusion:
Would you like that delivered Monday or Tuesday? What color do you want?
How to Guide for Questions

Consider the five functions and set up a group of questions that cover the entire negotiation from start to finish

For example, at the start of any lengthy or important negotiation

- Ask action causing questions
- Then questions to get information
- Ask questions to give info if needed (or use statements of fact)
  - Later, questions which start them thinking
  - Finally, questions which bring the thinking to a conclusion

Anticipate the other side’s questions and prepare a response

Use questions to steer, but let them do the talking
Which Tactics Apply??

DILBERT

YOU'RE A TOUGH NEGOTIATOR, BUT I THINK WE HAVE A DEAL.

JUST SIGN THE CONTRACT AND WE'LL DELIVER THE EQUIPMENT.

THIS CONTRACT IS TOTALLY DIFFERENT FROM WHAT WE AGREED.

WHY ARE YOU SPRINGING ALL THESE CONDITIONS ON ME AT THE LAST MINUTE?

NO ONE HAS EVER COMPLAINED BEFORE.

MAY I BORROW YOUR BRIEFCASE FOR A MINUTE?

UM.... OKAY.

MUST ACT SURPRISED.

REALLY?

THAT WASN'T NICE.

NO ONE HAS COMPLAINED BEFORE.

BY SCOTT ADAMS
Negotiation Techniques/Tactics

a) Forbearance – The stall; Wait it out
b) Surprise – Sudden shift in method or approach; outburst
c) Fait Accompli – Unilateral action; Done deal
d) Trial Balloon – Float a position; What if…?
e) Limits – Deadlines; Time limits
f) Alternative Positions – Options; But can be deceiving
g) Feinting – The artful dodge
h) Salami – A slice at a time
i) Another Bite – Revisit a closed issue
More Negotiation Techniques/Tactics

j) Blanketing – Shotgun approach
k) Bracketing – Top and bottom of range
l) Funny Money – Irrelevant indexes or estimating techniques
m) Changing Levels – Go up or down the decision chain
n) Bogey – Third party standard
o) Association – “They use it”
p) Agency – Authorize another
Putting it all together

Prepare, Prepare, Prepare
Write It Down (POCR)
Practice Principled Negotiation
  Separate the People From the Problem
  Negotiate Interests Not Positions
  Seek Options for Mutual Gain
  Base Decisions on Fair/Objective Standards
  Plan your exit strategy (BATNA. MPA)
Review, Review, Review, Review
Q&A
Comments
Feedback