ESSENTIAL NEGOTIATION SKILLS

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Workshop purpose

Workshop Guidelines

- No winners or losers
- Nothing is good or bad
- Nothing is right or wrong
- ‘We do what we do, we say what we say’
- Behaviour is either appropriate or inappropriate to effective negotiation

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Workshop objectives

- Plan & prepare
- Develop and control the agenda
- Decide on the appropriate strategy
- Create the appropriate climate
- Question effectively and listen attentively to understand the other party

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Workshop objectives

- Trade concessions which offer maximum benefit
- Develop creative proposals to flex the shape and profitability of the deal
- Control the aspirations of the other party and the power balance
- Maintain self control and manage perceived conflict
- Resolve problems and deadlock to close the deal

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Workshop objectives

- To maximise the profitability for Lindum of each and every deal

Meet Dick!

Charity Case

What is Negotiation?

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What is negotiation?

- The give and take trading process by which the conditions of a transaction are agreed and acted upon
- An attempt by two parties to complete a transaction through the use of bargaining
- To confer with another with a view to compromise or gain agreement
- To bargain or trade

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Customer/Supplier Relationship Building
Bartering
Haggling / Bidding
Hard Bargaining
Dealing
Concession Trading
Win Win
Partnership Joint Problem Solving

Getting a bigger slice by growing the cake

- Sell
- Persuade
- Rationalise
- Argument
- Convince
- Justify
- Qualify
- Explain
- Enthuse
- Ask

- Negotiate
- Question
- State
- Listen
- Think
- Wait
- Control
- Position
- Consider and weigh
- Tell

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The rules of negotiation

- There are none !!!
- Games have rules ,procedures are followed and no deviation is allowed
- Negotiation has uncertain procedures, and alternatives are frequently considered
- However, there are guidelines

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Key guiding principles to negotiation

- Effective negotiators:
  - Make all offers conditional
  - Never think on their feet
  - Are capable of strict self discipline
  - Give a considerable amount of time to planning
  - Maintain high aspiration levels throughout the negotiation

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Key guiding principles to negotiation

- Effective negotiators
  - Take control of the negotiation beforehand
  - Create room for manoeuvre
  - Are rarely the first to move
  - Get inside the other party's head and see the deal from their perspective
  - Only talk about their price
  - Get the other party to pull us from our position rather than pull the other party from theirs

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Guiding principles

- Always challenge any rules,structures,policies,time scales or conditions if it is in your interest to do so.
- These will normally be used by the other party to restrict you
- In negotiation, **<u>there are no rules.</u>**

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Your rights

- To not answer questions
- To be indecisive
- To be wrong
- To disagree
- To not understand
- To be a broken record
- To not know the answer
- To appear to be unprepared
- To not be liked

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Negotiation Strategies

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Hard Bargaining

- Haggling between parties over how much to give and how much to take

Hard bargaining

- Can adopt this in a one off purchase or where the other party chooses this stance
- Confrontational
- Uncomfortable
- Requires self control,self awareness and some element of arrogance
- Nice people don’t get good deals

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Hard Bargaining

- Zero sum negotiation…….there is a finite value to negotiate over

The bargaining range

The more effective negotiator will maximise their percentage of the bargaining range

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Setting your breakpoint

- If not set, you can make decisions 'on the hoof'
- Once set, forget about it
- Not an objective it's a stop/walk away point
- Never trade beyond it
- Focus fully on hitting <u>their</u> breakpoint

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Their breakpoint

- What is the least they will accept or most they will pay?
- This is now your objective
- From this we can set our opening position

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Flinch!!

- If you don't, they'll think their proposal is OK
- Make sure they notice using words & body
- Best ones are calm and practical in tone
- A flinch delayed is a flinch devalued

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Case two-Penny Black stamp case

Buyers		Sellers
Simon	V	Darren
John	V	Tom
James	V	Conrad
Alison	V	Rob

The worst thing you can do to a negotiator….

- ….is to accept his first offer….why?

A negotiator will be more satisfied with a worse deal that he's had to fight for, rather than a better deal that came too easily.

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The "Final Offer"

- Never make a "final offer" unless you know what you'll do if they reject it
  - Will you walk away?
  - How will you stay at the table and still be credible?

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Soft exposing give aways

When they say	They mean
I'll pay you 50?	Or would you like more?
I was thinking 20 to 25?	20
We were hoping for	But we know we won't get
We would like	But we don't expect to get it
My opening offer is….	And there's more to come
We can do it for 50?	Or less if you like
I know that sounds a bit high but…..	It is high,but please accept it
We were looking for…..	Although we would settle for less
We would have liked…..	But we will settle for less
How about we settle on 50?	I'll start at 50
Would you settle for 50?	It's worth a try
Let's split the difference	That will make the deal worth even more to me
The list price is…	The price is negotiable
I'd be happy with that	I'm getting a great deal!!

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Soft exposing give aways

- What makes us say them?
- *Our discomfort*
- Be comfortable being uncomfortable

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Use of silence

- The less you say, the less you give away
- Make a proposal and shut up!

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Trading Concessions

Trade your concessions

- Never concede,always trade….Give absolutely nothing away
- Identify the relevant concessions to trade
- Decide the order in which to use them based on their perceived value to the other party
- Lead with your conditions

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Plan your moves

If you…….then we

- Providing you can……then we can…..
- Perhaps you can ……..then we could
- Just suppose you could…..I'm sure we can……
- Subject to you……we will…..
- Say you could……then we may be able to …….
- Assuming that you can….we will be able to…..
- On the basis that you can……we will propose that……

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Case 3-Space Bods case

Buyers		Sellers
Tom	V	James
Conrad	V	Simon
Darren	V	Alison
Rob	V	John

Trading issues

- Intangibles
  - Convenience
  - Timing
  - Consistency
  - Reliability
- Tangibles
  - Payment terms
  - Price
  - Volume
  - Specification

Effective negotiators trade tangible issues for the intangible
They develop greater value in the total deal
Both forms of issues hold different values for each party
The skilled negotiator will recognise these differences and trade them

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Negotiation behaviour

- Negotiation is uncomfortable
- Need to focus on numerous issues at the same time

Negotiation roles

- Leader
- Spokesperson
- Observer/Recorder
- Figures

Negotiation Roles - Leader

- Defines and communicates the objectives
- Introduces people
- ‘We aim to reach agreement’
- Allows spokesperson to do the trading
- Calls for ‘time out’ if necessary
- Brings others in by name
- Summarises and moves discussion on
- Refers to and uses agenda to keep it moving
- ‘Parks’ deadlocked items
- Controls conflict

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Negotiation Roles - Spokesperson

- Rehearse background statement
- Identify options for mutual gain
- Rehearse opening position
- Plan demands and concessions
- Plan questions
- Build a joint operating agenda
- Question them on interests,needs,preferences
- Don’t talk too much
- Listen and don’t fill silence
- Explore ‘what-if’s’
- Be clear,brief and firm
- Flinch!

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Negotiation Roles - Figures

- Listen
- Understand cost relationships
- Log all moves and calculate
- Maintain running total of deal value
- Advise the leader of position vs. objectives
- Keep quiet
- Advise the spokesperson
- Do the figures thinking for the team
- Flinch at their demands

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Negotiation Roles – Observer/Recorder

- Listen and watch
- No talking
- Take notes
- What strategy? Why?
- Progress or stuck? Why?
- Options explored/closed/lost
- Opening positions (content? soft? flinch?)
- Concessions (size? conditions?)
- Team roles, styles, unity/disunity
- Identify need for adjournments
    - Summarise key observations back to the team
    - Offer suggestions/options/ideas

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Making a proposal

- Be clear
- Don’t sell it …….just say it !!!
- Be concise –no waffle
- My offer is…..then shut up!!
- Make it firm
- Open extreme but realistic
- Make it credible
- Look them in the eye
- Keep emotions in check

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Receiving a proposal

- Use the professional flinch
- Think before responding
- Check your figures
- Re-state your offer or make a fresh proposal

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Managing their aspirations

- “You’ll have to do better than that”
- “You’re way off line”
- Talk about your figure…not theirs
- Best way to beat their price is to only talk about yours-otherwise all you do is argue over their price

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Some useful planning tools

Trade Storming

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Trade Storming

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Trade Storming

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Trade Surveyor

Issues	Give		Take	
	Cost to us	Value to them	Value to Us	Cost to them
Price / Cost	High	High		
Timing	Low	High		
Payment Schedule	Low	Medium		
Quality	Low	High		
Future work			High	Low
Access			High	Low

Rate: High / Medium / Low
For the purpose of examining possibilities

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Move Planner

- ‘If you . . . Then we . . .’

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Record of offers

Issue	Yours	Theirs	Yours	Theirs	Yours	Theirs	Yours	Theirs
Price/Margin	5%							
Timing	Mar 19							
Payment Schedule	100%							
Future Work	6							
Access	0							
LADs	40k							

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Record of offers

Issue	Yours	Theirs	Yours	Theirs	Yours	Theirs	Yours	Theirs
Price/Margin	5%	2%						
Timing	Mar 19	Nov 18						
Payment Schedule	100%	95%						
Future Work	6	1						
Access	0	10k						
LADs	40k	12k						

Record of offers

Issue	Yours	Theirs	Yours	Theirs	Yours	Theirs	Yours	Theirs
Price/Margin	5%	2%	4.4%					
Timing	Mar 19	Nov 18	Feb 19					
Payment Schedule	100%	95%	100%					
Future Work	6	1	5					
Access	0	10k	4k					
LADs	40k	12k	40k					

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Record of offers

Issue	Yours	Theirs	Yours	Theirs	Yours	Theirs	Yours	Theirs
Price/Margin	5%	2%	4.4%	2.5%				
Timing	Mar 19	Nov 18	Feb 19	Dec 18				
Payment Schedule	100%	95%	100%	98%				
Future Work	6	1	5	3				
Access	0	10k	4k	8k				
LADs	40k	12k	40k	22k				

Record of offers

Issue	Yours	Theirs	Yours	Theirs	Yours	Theirs	Yours	Theirs
Price/Margin	5%	2%	4.4%	2.5%	4%			
Timing	Mar 19	Nov 18	Feb 19	Dec 18	Jan 19			
Payment Schedule	100%	95%	100%	98%				
Future Work	6	1	5	3				
Access	0	10k	4k	8k	5k			
LADs	40k	12k	40k	22k				

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Record of offers

Issue	Yours	Theirs	Yours	Theirs	Yours	Theirs	Yours	Theirs
Price/Margin	5%	2%	4.4%	2.5%	4%	2.9%		
Timing	Mar 19	Nov 18	Feb 19	Dec 18	Jan 19			
Payment Schedule	100%	95%	100%	98%				
Future Work	6	1	5	3				
Access	0	10k	4k	8k	5k	7k		
LADs	40k	12k	40k	22k				

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Record of offers

Issue	Yours	Theirs	Yours	Theirs	Yours	Theirs	Yours	Theirs
Price/Margin	5%	2%	4.4%	2.5%	4%	2.9%		
Timing	Mar 19	Nov 18	Feb 19	Dec 18	Jan 19			
Payment Schedule	100%	95%	100%	98%				
Future Work	6	1	5	3				
Access	0	10k	4k	8k	5k	7k	5.5k	
LADs	40k	12k	40k	22k				

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Case 4 – Milton by Tripletree

Milton		Lindum
Simon		Tom
Alison		Darren
James		Rob
John		Conrad