

# **NEGOTIATING THROUGHOUT THE PROCUREMENT LIFECYCLE**

## **HANDOUT**

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## CASE STUDY: SPOKEN "OUT OF TURN"?

Dave Evans, program manager at the National Interagency Coordinating Center of NFS, was thumbing through technical evaluations of prospective suppliers for mobile, alternative energy power sources of supply. The evaluation indicated that Trumble Associates was technically the most acceptable of the group submitting proposals. Johnson Research Company had been rated second, and Commander Systems was third. The respective technical rankings were as follows (based on a possible 1,000 points):

Trumble	782
Johnson	696
Commander	681

Trumble's apparent advantage was in its methods of approach to developing the power unit.

Mr. Evans was about to draft the statement of justification for the ranking when the door opened and in walked Tom Tully, technical representative for Commander Systems. After the two men had exchanged a few pleasantries, Tully steered the conversation around to the secondary power unit procurement. In the next half-hour Evans heard Tully outline a unique method of approach that was far superior to the method that was described in the Commander proposal. Mr. Tully explained that for some time the company had been toying with the ideas he had just described, but only recently had made the breakthrough that proved the new approach possible.

After some general discussion of the power and control areas, Tully left. Sitting alone in his office, Evans contemplated his dilemma. Commander's new methods of approach opened fascinating technical vistas and, if practicable, made possible a far better power unit than had originally been described. Commander easily stood above Trumble if the conversation that had just been held was taken into consideration, yet Trumble's proposed method of approach was still the best on paper.

### CASE DISCUSSION

1. What use can Mr. Evans make of the new information?
2. What procedures should he follow?

## CASE STUDY: PLANNING: BOON OR BANE?

Pauline Hampton and Richard Johnson, contract specialists, were discussing the problems of negotiating contracts at lunch one day.

"You know, Pauline," said Johnson, "our main weakness, I'm convinced, is that we don't plan for negotiations properly. If we did, I think we'd have a lot better deals, on the whole."

"How do you mean?" asked Hampton. "I thought our cost and price analysis had been improving quite a bit over the last year or so."

"I'm not talking about cost analysis and other matters that involve definite figures--what with audit reports and all, we're getting better there. I'm talking about preplanning our negotiation strategy and the tactics we should use. That's where I think we're simply not doing it."

"And you think we can really plan a negotiation strategy before we actually sit down at the table with a contractor?"

"Sure we can, Pauline," replied Johnson. "And what's more, we've got to do it. To me, negotiation is just like selling. You have to know your product--which requires fact-finding and analysis--and then you've got to know how to sell it. That involves the planning of strategy and tactics. If you don't plan how to sell it, you won't sell it. It's as simple as that."

"I'm afraid I disagree with you Dick. I believe that effective negotiation is a product of many factors: logic, common sense, the ability to think fast and speak clearly--none of which can be preplanned. Sure, you have to have the facts, as you say, to know what you're selling--but that's as far as you can go. If you dream up some detailed strategy based on what you think the contractor will do or say, the first thing you know, he'll do something else."

Question:

Do you agree with Ms. Hampton or Mr. Johnson? Why?

## TEN GUIDELINES FOR EFFECTIVE NEGOTIATION

1. **Prepare:** Do your homework. Know what outcome you want and why. Find out what outcome the other party wants. Avoid negotiating when you are not prepared—ask for the time you need. As part of your preparation, figure out what you will do if you are unable to come to an agreement. Your power in negotiation develops from attractive alternatives— the greater your ability to walk away, the stronger your bargaining position.
2. **Minimize perceptual differences:** The way you see something can be quite different from how the other party sees it. Don't assume you know the other person's view: ask questions to gain understanding, and restate your understanding so it can be confirmed or corrected by the other party.
3. **Listen:** Active, attentive listening is mandatory to effective negotiation. Let the other side have an equal share of the air time. (If you're talking more than 50% of the time, you are not listening enough.) In the process, respect silence. Occasionally people need to collect their thoughts before moving ahead. Don't try to fill this time with talking.
4. **Take notes:** You need to know where you are—what has been agreed to; what remains to be resolved. Don't rely on memory. Take notes and then summarize your agreement in a memorandum.
5. **Be creative:** Early closure and criticism stifle creative thinking. Be willing to set some time aside to explore different and unusual ways to solve your problem. During this time, do not permit criticism of ideas offered. All negotiations can benefit from nonjudgmental creative thinking.
6. **Help the other party:** Good negotiators recognize that the other party's problem is their problem as well. Put yourself in the other's position and work to find a solution that meets everyone's needs. After all, no agreement **will** hold up unless both parties support it.
7. **Make trade-offs:** Avoid giving something for nothing. At least get some goodwill or an obligation for future payback. The basic principle to follow is to trade what is cheap to you but valuable to the other party for what is valuable to you but cheap to the other party.

## TEN GUIDELINES FOR EFFECTIVE NEGOTIATION

(continued)

8. **Be quick to apologize:** An apology is the quickest, surest way to de-escalate negative feelings. It need not be a personal apology. An apology for the situation you're in can be just as effective. Also, don't contribute to hostility by making hostile remarks. Hostility takes the discussion away from the issues and shifts it to a defense of self where the goal is to destroy the opponent.
  
9. **Avoid ultimatums:** An ultimatum requires the other party to either surrender or fight it out. Neither outcome will contribute to future cooperation. Also, avoid boxing someone in. This happens when you offer only two alternatives, neither of which is desirable to the other person.
  
10. **Set realistic deadlines:** Many negotiations continue too long because no deadline exists. A deadline requires both sides to be economical in their use of time. It permits you to question the value of certain discussion and encourages both sides to consider concessions and trade-offs in order to meet deadline.

# Take-aways About Negotiating

1. Make every bargain dear and plain  
That no may afterward complain.  
John Ray, 1670
2. Don't ever slam the door  
You might want to go back..  
Don Herald
3. It is no sin to sell dear,  
but a sin to give ill measure.  
James Kelly  
Scottish Proverbs (1721)
4. Necessity never made a good bargain.  
Benjamin Franklin,  
Poor Richard's Almanac
5. "Every practitioner soon learns the wisdom of the fact  
that a fair settlement is better than a good trial."  
Donald J. Farage
6. "Bargains made in speed are commonly repented at leisure."  
George Pettie
7. "Few men have virtue to withstand the highest bidder."  
George Washington
8. In all negotiations of difficulty, a man may not look to  
sow and reap at once; but must prepare business, and so ripen it by degrees.  
Francis Bacon
9. In a successful negotiation everybody wins.  
Gerard I. Nieremberg