

NEGOTIATION BASICS

INTRODUCTION

Negotiation is the process of formal communication, either face-to-face or via electronic means, where two or more people come together to seek mutual agreement about an issue or issues.

Basic steps of the negotiation process are shown in the diagram below.

Identify or anticipate a purchase requirement

Determine if negotiation is required

Plan for the negotiation

Conduct the negotiation

Execute the agreement

GETTING STARTED

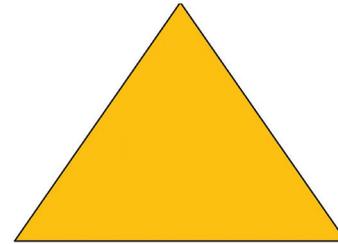
Is your firm too small to negotiate a good deal? Absolutely NOT!

Consider these findings from a recent study:

- One in 10 small businesses begins negotiating with suppliers only when they are having cash flow problems.
- More than a third of small-business leaders expect suppliers to quote an unreasonably high first price and 71 percent believe they offer better deals to large enterprises. Reasons given for lack of negotiation included lack of time, other priorities and the belief that haggling will make little difference.
- A little more than 60 percent of respondents said they had walked away from a supplier after receiving the initial quote, rather than attempt to secure an improved offer.

A WAY TO APPROACH NEGOTIATION

STEP 2 Know exactly what they want



STEP 1
Know exactly
what you want

STEP 3
Propose action
in a way that
they can accept

STEP 1

Determine and write down specific goals and objectives

Understand what items are “must haves” versus “nice to haves” for the negotiations

Have a starting point, most desirable outcome, and minimum outcome for each major item

Make your list something that can be referenced during the negotiation

The more clearly defined, the more likely that it can be achieved

STEP 2

Attempt to discern the other party’s likely needs and wants

Estimate underlying interests to the other party’s stated positions

Beware of expecting the other party to think in the same way

Ask open-ended questions to confirm or counter preconceived notions

STEP 3

Frame your own needs in terms of the other party’s needs

Make it easy for the other party to say “yes”

Remain fair, flexible and reasonable

Remember that relationships are between people, not just organizations!