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.

1. Identify or anticipate a purchase requirement
2. Determine if negotiation is required
3. Plan for the negotiation
4. Conduct the negotiation
5. 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 1
Know exactly what you want

- 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
Know exactly what they want

- 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
Propose action in a way that they can accept

- 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!

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