

PASA Round Table – Negotiating Mutual Value

Thursday 7 June 2018 at the Offices of Queensland Rail, Barcaldine Room, Level 1
RailCentre1, 305 Edward Street, Brisbane

Present:	Fernanda Garcia	Queensland Rail (host)
	Trent Pain	Queensland Rail (minutes)
	Jane Gray	Queensland Rail
	Ian Hay	Churches of Christ in Queensland
	Max Broadhurst	Dept. Transport & Main Roads
	Karen Rose	Dept. Transport & Main Roads
	Tony de Rooy	Incitec Pivot
	Matt Lohmeyer	Negotiation Partners (invited speaker)
	Yingying Chen	Unitywater
	Christine McNess	The University of Queensland
	Winston Woo	The University of Queensland

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Questions:

1. What are the key risks/ traps when negotiating with large suppliers? How to leverage ones position? (Trent Pain)
2. Negotiating with internal stakeholders (Fernanda Garcia)
3. Needing to bring more commercial focus into our category management rollout going forward (Max Broadhurst)
4. Seeking general insight into negotiation especially from weaker position. Example; purchasing from sole supplier or renewing essential products/services (Winston Woo)
5. I would like to hear some of the best approaches to negotiation that the professional can offer. I would also like to hear about any cross-cultural challenges faced and how best to overcome them (Jane Gray)
6. Keen to understand how the speaker applies differing negotiation tactics across various commodity and supplier profiles (Karen Rose)
7. How do I overcome the nervousness during face to face negotiation and challenging sole supply negotiations for bulk chemicals? (Yingying Chen)
8. Large vendors where there is a high cost of change & negotiation frameworks for team development (Christine McNess)
9. Negotiations with a sole supplier, esp. long established suppliers with a large influence on the company (Tony de Rooy)
10. Looking for negotiation tips as the organisation is getting more involved with negotiating, bot internally and externally (Karen Rose).

Discussion Points:

Value

What is value for money?

- What does value for money look like for the project?
 - The Value for Money Diamond™
 - Price
 - Quality/ Capability
 - Risk
 - Schedule
 - Distribute value between the above points – what are the priorities for the procurement?
- Prioritisation is key
 - Negotiation is a trading game
 - Know what is important to both sides
- You need to know what the destination you want to arrive at is.
 - The first negotiation is always internal – understand what the internal people want/ prioritise
 - Don't negotiate externally until you have clear instructions from the mandate holder.

Partnerships

Too much talk about partnerships is really just a fashionable way of saying “give me more...”

- True partnerships are a two way conversation about MUTUAL value add
- How do both companies get value from the partnership and are they comfortable to share pain points and innovation?
- Not all contracts and relationships should (or perhaps even can) be a partnership.
- Innovation can be provided by suppliers or developed jointly
- Negotiation and relationship management is a human activity – you can't automate a partnership, however much AI you throw at it
- What value adds can you provide to your suppliers in return for greater value to your organisation?

Structured approach to negotiation

A couple of fundamentals of negotiation:

- We talk about negotiation as a dialogue, process, communication, pathway, etc. to a desired outcome. It is much more specific than that. Communication can include persuasion, imposing, compromising, haggling, problem solving, conceding, etc.
- Negotiation is TRADING - or exchanging something with the other party.
- The Alchemy of Negotiation is to create additional value by trading variables that are of low cost to you and high value to them and vice versa. That way, the trade creates value.
- Don't be afraid to ask your suppliers what is of value to them – trade this for more of what you want.

Sole source suppliers

Negotiation POWER comes from:

- Incentives
- Sanctions
- Alternatives
- Time

People often underestimate their power – both buyers and suppliers

- YOUR negotiation power comes from THEIR needs and worries. THEIR power rests on YOUR needs and concerns.
- Your first job as a negotiator is to explore their needs and worries (understand your negotiation power)
 - When you understand this, take a break and plan how you will use your power.
 - How important are you as a client? Or as a supplier?
 - The supplier should also understand that you have power – what happens if we don't do a deal? What do they miss out on?
 - The more you understand about the other side the more of your negotiation power you will find.
- Even when dealing with large corporates – the business may not value your custom, but the sales person on whose account you are will value your business.

Talk with other clients - they can be a valuable source of information to inform your position about benchmark deals, points of sensitivity, negotiation power, lessons learnt, effective approaches, etc.

Work with others who are in the same boat.

Ethics and reputation

Professional negotiators never lie, bluff or deliberately mislead the other side. The short term gain (if any) is not worth the long-term damage to reputation and credibility.

- Never make a threat that you're not willing to carry out.
- Immediately follow-through on a threat, if the other side has ignored it and crossed the line.

Negotiation teams

Keep your team as small as possible to avoid 'teamwork malfunctions'. For important negotiations, have at least two negotiators and probably no more than five to maintain efficiency and effectiveness.

- No requirement to match numbers or balance numbers on each side of the table
- You want control at your table so few numbers can be good
 - Leader
 - Observer
 - Summariser

Strategy

Deal with the difficult issues first while you still have bargaining chips to get them across the line.

Tactics

The nibble – is a technique that involves one side making last minute demands right at the end. They may leave a small point until the end and in the last “5 mins” say if you take another couple of percent of you have a deal and we can all go home...

- The best defence against the Nibble is to have a wish list – trade something for the nibble.

Preparation

Be clear about

- What you want
- When you will exit
- What you are negotiating
- Wish list items
- How you will negotiate (strategy)
- What is your power
- What do you need to know
- What can you trade for what

How do we identify a good negotiation training program?

Many organisations provide negotiation training with little focus on commercial outcomes. The industry is not regulated, so anyone can call themselves a negotiation consultant or trainer.

To pick a quality course, ask:

- How they measure the results from their training? What are they?
- Speak to referees (senior management, not HR) from current clients about the results from the training.
- If you know someone who has done that firm’s course a year or two ago, ask them what they still remember. If the answer is vague, look for a more impactful course.

To pick the right coach/trainer, ask:

- Who will run the program? Can you choose the coach? What is their practical business experience?
- Is ‘your’ coach a professional trainer, or does he/she also consult on negotiations?
- Is the coach already working with similar clients (industry / government / geography, etc.)?

When to close

You do not have to negotiate everything.

- Know when to close.
- It’s not about trying to take the last dollar off the table (it will cost you more than a dollar to do so). There is always a better deal out there, but the best ROI comes from doing two good deals, rather than spending time and risking a perfectly good deal in pursuit of a perfect deal.