

World-Class Negotiations Management: Best Practices, Tools and Future Directions

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Abstract. Just as strategic sourcing introduced a new level of sophistication and effectiveness into procurement practices, there are new strategies, processes and tools to elevate negotiations management. Leveraging his experience leading supply management organizations and introducing world-class best practices, the presenter will describe:

- a. the difference between traditional negotiations and world-class modern negotiations management
- b. critical elements in world-class negotiations management that every supply manager needs to know and apply
- c. tools and processes to guide strategy development and execution
- d. how to determine the appropriate role for senior executives, and how to get them to play that role – and only that role
- e. examples of applying these concepts, tools and processes at world-class companies
- f. pitfalls to avoid, illustrated with painfully-funny, videotaped vignettes

The Difference Between Traditional Negotiations and World-Class Modern Negotiations Management. Modern negotiations management is characterized by a high degree of preparation, planning, analysis and strategy. It is also favorably impacted by cross-functional participation, and a “speaking with one voice” discipline at all levels.

Negotiations Management Has Evolved

“Old” Style

Lone ranger, hard bargainer ⇨

Get a good deal ⇨

Supplier knows the market ⇨

One round ⇨

Off the cuff ⇨

Meetings happen ⇨

Don't offend the other party ⇨

One step process ⇨

“New” Paradigm

Multi disciplinary team
Speaking With One Voice

Targets based on research to determine:

- Most Desired Outcome
- Least Acceptable Alternative
- Best Alternative

Using market intelligence to build a facts base

Multiple negotiating rounds until predetermined objectives are reached

Extensive scripting and role playing

Preplanned agenda, preplanned communication

Willingness to drive to impasse

A multi level approach with face to face negotiation as only part of the process

Establishing Parameters to Guide Negotiations. In modern negotiations management, we develop an extensive fact base of internal and external factors to guide the development of negotiations strategy and objectives. In particular, the fact base drives the analysis and conclusions regarding three, very important concepts: MDO, LAA and BATNA. Furthermore, to be most effective, the negotiations process must be an integrated part of a robust strategic sourcing process employed at your company.

Several concepts help shape negotiations preparation ...

- **Most Desirable Outcome (MDO):** The best (most favorable) scenario that the team feels is possible
- **Least Acceptable Agreement (LAA):** This is the minimum agreement that the team and stakeholders will accept
- **Best Alternative to a Negotiated Agreement (BATNA):** This is the pre-planned course of action in the event that an agreement cannot be reached



IMPORTANT:

MDO and LAA: defined for each negotiating parameter
MDOs, LAAs and BATNAs: will change during the course of negotiations

Source: Fisher and Ury, "Getting to Yes" and Harvard Negotiating Project

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A detailed understanding of our position, the supplier's position, our leverage points, and the specific assigned roles and responsibilities for each person on the negotiations team, help drive the crafting of relevant messages for each phase of negotiations.

Speaking with One Voice

- ***Mindset: Every conversation with a supplier***, no matter how innocent or "technical" it might seem, ***is part of the negotiation process***
- ***All meetings/conversations are planned***, with objectives and a script
- All ***contact points within your company*** are identified, and ***are brought into the process***
- A ***uniform business process*** (Strategic Sourcing) ***is used*** for all sourcing efforts

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Speaking with One Voice. Every supply management professional has probably encountered this challenge repeatedly in his or her career: someone, outside of the sourcing organization or sourcing process, has unauthorized conversations with a supplier – and weakens or even disrupts the negotiations plan. World-class companies make it a corporate-wide mantra to “speak with one voice” in all dealings with all suppliers.

How to achieve that corporate-wide awareness is the challenge. The presenter shares his experiences, and also will show the audience the Speaking with One Voice video that he uses – as one element of an overall program - to create awareness and buy-in throughout an organization.

The Presenter Is Available for Questions, and for a Book Signing. The presenter will be available after his presentation to respond to questions. Note: If you own a copy of *Straight to the Bottom Line*, *On-Demand Supply Management*, or *Beat the Odds*, bring it with you to the ISM conference and the presenter will autograph your book copy.

REFERENCES

Book references:

Rudzki, Smock, Katzorke, Stewart. ***Straight to the Bottom Line™: An Executive’s Roadmap to World-Class Supply Management***, J. Ross Publishing, Ft. Lauderdale, Florida, 2005.

Smock, Rudzki, Rogers. ***On-Demand Supply Management: World-Class Strategies, Practices and Technologies***, J. Ross Publishing, Ft. Lauderdale, Florida, 2007

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Website references:

www.GreybeardAdvisors.com

www.StraightToTheBottomLine.com

www.BeatTheOddsBook.com