

Life is One Big Negotiation - Relational vs. Tactical Negotiations

Lorrie K. Mitchell, C.P.M., A.P.P., Partner
Mitchell Enterprises, Duluth, GA 30096, 770-448-4544, 404-808-8804
lorriekm@bellsouth.net

Abstract. Strong negotiation skills are a major advantage to every supply management professional (SMP) in today's job market. Yet, it continues to remain one of the most difficult skill sets to master. Negotiations and relationship building both play heavily into the customer/SMP/supplier relationship scenario. The structure and success of the partnerships you negotiate and develop with your suppliers and customers will in many cases determine the degree of success of the relationship. All SMPs should seek to select, develop, and maintain effective supplier and customer relationships by conducting successful negotiations.

Life is one big negotiation. Whether you work in the field of supply management or in another field, mastering the skill of negotiation is an asset to your success - not only at work, but also in your day-to-day life. This is not a skill set to be used in one particular setting nor one you can turn on and off. For most individuals, it can be as stressful as delivering a speech or presentation to a large audience. Yet, it is the foremost sought after skill for all SMPs. Clearly, either you have it or you don't. But...there are few who "have it", and fewer that can just "wing it" and be successful. For the remainder of individuals, we can certainly achieve a higher outcome of success by being familiar with certain techniques and strategies and purposefully utilizing them.

Determination of Relational or Tactical. Planning your negotiation, determining your strategy, and identifying the underlying interests and motivations of all involved parties assist to prepare you and your environment. Unfortunately, this is the hard and sometimes time-consuming part – the part most people like to overlook and avoid.

When people tell you they're going to "wing it", it usually means they don't have a clue how to plan for or what to do during the negotiation. They will cross their fingers, let the other party lead the negotiation and hope they will not end up at a disadvantage or with the other party detecting their inadequacy. Unfortunately, the other party picks up on this immediately. The SMP is then focused on their saving face rather than their participating and/or leading the negotiation. These are the folks who leave the negotiations in the hands of the opposition – a very dangerous proposition.

So, what's a SMP to do??!! They ask," Don't I need to end up with a win / win to feel and/or ensure success?" In many if not most relational cases, a win / win is what you're after. There are many times, though, when this is not the appropriate outcome. If you insist on achieving this win / win in those cases, you will prolong the negotiations and the ultimate outcome, and still not achieve your goal.

The first determination is to identify whether this will be a relational or tactical negotiation. You can make this call by answering several questions. What level of communication do you want or expect to have with this party? How involved or educated do you intend to be in their business? What is the duration of your relationship with this party? And, what commitment of time do you intend to allot to this situation?

If you plan to do a lot of communicating with the other party, purposely plan to learn their business because you're in this for the long term, and perhaps intend to allot a large amount of time, then chances are that this is a relational situation. On the other hand, if minimal communication is warranted, minor involvement in the business is necessary for the short term, with a small allotment of time, then this is probably a tactical situation.

Techniques to Employ. As a SMP, you will focus on a relational negotiation with many of your key supplier relationships. Techniques for preparing, planning, and conducting successful negotiations are paramount. It is also quite likely that this may be a contract with a very high dollar value, and a strong effect on the future of you or your business. Then, it is important for you to develop a strong working relationship. This is a partner with whom you want to develop a mutually beneficial arrangement; a situation where both parties have something to gain and to lose, and something to lose even if the other party is experiencing a problem.

It's important to develop solutions with the other party that meets both parties' interests. If the relationship is long term, you will want the outcome to be win / win. Your technique to achieve a win / win should always be a non-anger, non-confrontational approach. In this case, your method needs to determine what will qualify as a win for you, your customer, and your supplier. Techniques in communication, trust building, and sharing of information with all parties need to be utilized in this situation. You'll want to use advanced preparation, ensure no surprises, and define your parameters.

The outcome of a tactical negotiation does not have to be and probably will not be win / win. To strive for a win / win in a tactical negotiation where a win / win is not warranted, is a sign of a weak and inexperienced negotiator. In tactical negotiations, a win / win is not nearly as critical - primarily because you are still capable of achieving your goal without it. The main reason for this is that your situation is short term. If you're exploring your options in a tactical negotiation, your options are almost equivalent to "no holds barred". Any technique is at your disposal.

Although, everyone should start a negotiation with a goal of win / win, it's important to know when you can digress from that path and still achieve your goal. Although dishonesty or unprofessional language and behavior should never be utilized, appropriate techniques conducive to the appropriate scenario should be used.

Persuasive Speaking and Influencing Skills. The use of persuasive speaking and influencing skills may be considered at times preparation for negotiations or preliminary negotiations. Many times this will be the extent of your negotiation as your goal is achieved. Awareness of what the other party is saying, doing, expressing in any form will give you some key indicators toward negotiation success.

Listen to what the other party is saying. Try to make a connection with them. Where are they from, what is their accent, do you have the same first name, are they wearing a necklace you like or is just like yours, etc. Notice something about the other party and make a connection. Do this before you address your problem or concern. Usually you will have already moved this person on your side, so that whatever you are asking for is a non-issue.

Learn to take advantage of your windows of opportunity. Determine when you must walk away and what will keep you in the situation. Determine all of your possible alternatives ahead of time. Assess your positions of strength along with those of your supplier and customer. You want to clearly define your outcome and know when you have reached success. There should be a plan in play and not a haphazard attempt to get it over with. Your results will reflect your technique. Be familiar with how time plays into your scenario. Time can work for or against you. It is up to you and you alone to secure the desired result.

Can You Achieve Success Without Win / Win? Successful negotiations involve planning. You basically role-play the negotiations from start to finish. You want to know whom you are negotiating with, how they are preparing for the negotiation, and whether their intention is truly to win. This makes you think about the alternatives, so you do not fall on an outcome you don't want and have some control in securing the outcome you do want.

There are four scenarios of negotiation outcomes, i.e., I win / You win, I win / You lose, I lose / You win, I lose / You lose. If you are a SMP negotiating a 5 year contract worth \$200 million per year, a I win / You win relational negotiation is your goal. If the SMP negotiates a deal with a supplier, which is clearly to the advantage of the SMP, this may be a win for the SMP if the deal is for a short term and the SMP does not intend to do repeat business with the supplier, i.e., I win / You lose tactical negotiation. Since the supplier has the "You lose" outcome, it is quite likely that they will be more careful in dealing with the SMP during the next encounter. Win / win may not be your only desired outcome in relational and tactical negotiations.

Can you lose the negotiation and still consider it a win – I lose / You win outcome?? If you have planned, listened, and analyzed your approach for the negotiation, you may realize that in order to receive the level of success that you want, you may have to let the other party win. This means that the SMP needs to identify what defines a win for themselves and for the other party. It is OK to let the other party win on a particular issue – especially if you have identified that this is not a primary issue for you. If this is a win for the other party in their eyes and a loss in their eyes for you, so what??!! Most negotiators could be a lot more successful, if they left their egos checked at the door. Is "winner take all" or a "50/50 split" the definition of win/win?? If you achieve what you need, it doesn't really matter whether the other party thinks they achieved the "You win" portion of the scenario.

The one scenario you want to be sure not to achieve is the I lose / You lose outcome. These are two individuals who definitely need to do a lot more planning, communicating, listening, etc. before they enter into another negotiation of any type.

Conclusions. In most cases, negotiation is more than just winning. It's the identification of the outcome and the journey towards that outcome. This is strategic and demands patience and planning as vital characteristics of success. Once you determine whether the negotiation is relational or tactical, half of your planning is done. The more experience you have the more success you will have even in those situations when you are not allotted a lot of time for planning.

Be creative!! Everything is not about money – directly. There may be other alternatives that may be important to you and/or your customer that are still important to the negotiation's outcome. Use creative financing and deal making. No scenario should be overlooked and not

discussed because it “hasn’t been done before”. Try any new scenario you can think of. If you and the other party are happy and in agreement, then you have reached success. Closure is important. When the negotiation is over, let it be over.

Life is truly one big negotiation. The more you utilize this skill set, the more comfortable and proficient you will become. You may not “win” every negotiation, but your scorecard should increase. Of course, planning is the key. Planning establishes your comfort level.

Author: Lorrie K. Mitchell, C.P.M., A.P.P., is a Partner in Mitchell Enterprises, a consulting / training firm specializing in supply chain management, performance based contracts, and supplier relationships. Formerly as a Supplier Alignment Leader in the supply chain management department of BellSouth Telecommunications, Inc. for 18 years, Ms. Mitchell negotiated all types of product, software, services, and outsourcing agreements specializing in corporate licenses and maintenance agreements, performance based agreements, initiating, maximizing, and ending supplier relationships / alliances, and the measurement of supply chain management’s financial contribution to the corporation. She has a bachelor’s degree in mathematics from the University of Miami and a Master of Science in technology management from the Stetson School of Business and Economics of Mercer University. Ms. Mitchell has served as a full-time faculty member at the Keller Graduate School of Management where she taught contracting and procurement management.

She has presented sessions at the Institute for Supply Management’s 82nd - 87th International Purchasing conferences, 2002 APICS Mid-Atlantic Supply Chain Management Symposium, the 2002 Georgia Governor’s Mentor Protégé Program, The Institute for International Research’s 2002 Conference on Optimizing Your Strategic Sourcing, The Procurement Centre’s 2002 Procurement Boot Camp, the 2002 National Maritime Association “BoatBuilding” Conference, The Management Roundtable’s 1999 International Conference on Product Development and the Supply Chain and ISM’s 1999 Supply Chain Management Conference. She has appeared in numerous publications, including *Supplier Selection & Management Report*, *Purchasing Management Bulletin*, *Electronic Components* magazine, *Sales & Marketing Executive Report*, *Purchasing Magazine*, *Global Logistics & Supply Chain Strategies*, *Managing Logistics*, and *Purchasing Today*®. She was a panelist for NAPM’s September 1999 Satellite Seminar on “*Linking Purchasing with Customer Values, Technology, and Shareholder Value*” broadcast nationwide and taught a number of full-day seminars at the Project Management Institute’s 30th Annual Seminars & Symposium and for various NAPM affiliates. Ms. Mitchell is President of NAPM – Georgia, was selected to serve on the ISM National Leadership Training Committee, and serves on the Editorial Advisory Board of *Supplier Selection & Management Report*. In addition, Ms. Mitchell was profiled in *Purchasing Magazine*, *The Career Advisor*, and in the book *THE TITAN PRINCIPLE - The Number One Secret to Sales Success*. She authored numerous articles published in *Purchasing Today*®, *Business & Industry Connection Newsmagazine*, *Purchasing Law Report*, 1997-2002 issues of *NAPM Proceedings*, and authored the entire April 1999 issue of *InfoEdge*® entitled *Alliances: How To End An Alliance Relationship*.