



Project Negotiation

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Overview

Do you ever find yourself in one of those yes-no, black-white discussions. Two polarised views that leave no room to move.

“I want it by Monday.” “You can’t have it until Friday.”

Neither side is prepared to move or negotiate. The question is how do you get into negotiation mode?

Projects are full of negotiation. Sometimes it is around what you will deliver. Sometimes it is around getting people to work on the project. Sometimes it is around cost or time. A project manager has to be a negotiator. This white paper will touch on a few things to consider next time you get into a negotiation.

Personality Types

In another white paper, I covered the issue of motivational characteristics. Two relevant characteristics are the goal oriented type, and the influence oriented type. A goal oriented person will be very definitive and focused. They see the world in a black and white way. Targets and goals are what drive them.

The influence type sees the world as a series of options and you have to manage the options. If one track leads you nowhere, take another path. Look at how you can influence a person to get what you want.

Negotiation is a natural way of doing things to an influencer. It is not a natural way for a goal oriented person. The goal oriented person might say:

“We have a budget of \$20k and we must not exceed the budget.”

The influence oriented person might say:

“Our intention is to use every possible means to stay within our \$20k budget.”

Step one in a negotiation is to understand what sort of personality you are dealing with. An influence oriented person is more likely to want to negotiate than a goal oriented person.

Setting Goals for Negotiation

Before you start a negotiation, understand what you want to achieve. This is different to how you want to get there. For example, suppose you want to get some business requirements completed by the end of the month. If you only focus on getting a key business user on the second and third week of the month, you might be disappointed. If you get the person on the first and fourth week, will it work? Can you change some other things around to achieve your end? If it will work, you suddenly have two options to offer the Business Manager.

It is a common sales technique to offer options rather than ask for something. “Would Tuesday or Wednesday be more convenient for me to see you?” is a more powerful offer than “Can I come see you?” The same with negotiating the availability of your business resource.

“We can use your person either the first and fourth week, or the second and third. Which is the most convenient to you?”

Trade offs

Another thing to consider is what you can trade off. Many skilled negotiators add things they don't want in order to trade them off. When negotiating with a hardware vendor for supply of some servers, I put in the requirement that we wanted a free upgrade to the next version of Windows. The purchasing company had no intention of upgrading. As we haggled on price, I offered to waive the upgrade for a discount on the quoted price. We got the discount, and the client lost something they didn't want.

Also look at what you will trade off, and what is core to your requirements. For example, if negotiating the purchase of software, is training core or negotiable. Even more detailed might be the type of training. Perhaps train the trainer is not negotiable and direct training is negotiable.

Making Concessions

Never give something away for nothing. If you make a concession, it should be in response to a concession from the other party. In fact it should be a bigger concession from the other party if possible.

Another example was in a software negotiation I was running. We had major concerns about the availability of skilled resources to install the software. On the other hand, there was no deadline when we needed the software installed. We started off talking about a deadline but had it as a factor we would sacrifice. As we neared agreement we negotiated that the Vendor would provide resources from overseas to assist the implementation if we put the launch date back three months. We were happy to do so and it solved a core concern we had.

Someone who is not so skilled in negotiation will sometimes offer to make a concession to establish “good faith”. Be happy to accept their concession, but don't feel obligated to reciprocate.

Getting People to the Table

Sometimes the hard part is to get people negotiating. I had a personal experience recently when purchasing a boat. I saw the boat I wanted, but it was too expensive. I made an offer which was about 20% below the asking price and the seller rejected it outright. I asked for some sort of indication on what would be acceptable hoping to meet around half way but the seller was not interested in further negotiation.

I now had to change tack. The intention was not to get the seller to agree a price, but to get the seller to come back to the negotiating table. Over a number of weeks, I worked with the broker on this strategy. The broker was keen to see any sale as winter was coming on and business was lean. I started feeding the broker information he could use with the seller. Stock market decline; drop in disposable income; fall in discretionary spending; rising fuel prices; collapse of a major boat builder.

After a few weeks, with no other offers forthcoming, the seller came back to the table. We could then resume negotiations and reach a fair price which was closer to my expectations.

The key was to realise that the objective was not to keep hammering away on price. It was to get the other party engaged. In a project, sometimes people are just not interested in negotiating because they don't want to have anything to do with the project. The key is to get them to engage with the project before you can get them to negotiate.

Closing

A few things happen when you get close to reaching a negotiated decision.

Impatience

People just want it to stop. We are at a 49.5% to 50.5% position. Can we just swing that last half a percent? This is the point at which you can take advantage of the impatience to win a few more points.

On a software package negotiation, we were almost there and at the last minute I asked for a number of demonstrations of the software at branches to be carried out by the vendor at his cost, to assist our selling of the software to staff. For us to do a travelling roadshow was going to be expensive and time consuming. For the vendor, it was not a big issue as they had branches all around the country. They agreed without a problem.

Had we asked earlier in the negotiation, it may have been a sticking point that would have required we give something. At the end, it was the last point to agree and they were happy to concede the point.

Close and Open

Everything is agreed, and then as people sit around and talk about things, something else comes up. Suddenly the negotiations are reopened.

When you reach agreement, confirm the agreement, get it documented, and if possible signed, and get out. If necessary confirm verbally what is agreed, then leave. Confirm the agreement in writing as soon as possible.

The Wrong Negotiator

You reach an agreement, and then find that the negotiator has to go back to his boss to confirm agreement. The negotiation is not complete. It is just moving to a different level.

Always confirm early in the negotiation the authority level of the person you are dealing with. If the person cannot make a decision, get to the person who can. If you negotiate with someone who cannot make a decision, chances are you will stretch your negotiations to get agreement with the first person then have to negotiate further with his or her boss.

Employ a Negotiator

There is much to be gained by having a skilled negotiator in your team. For a start, they will manage the process in a much more effective manner than most project team members. They will have you much more organised when you enter negotiations, and be aware of many more techniques than you might be.

There is another benefit. I was working as a consultant with a client purchasing software. I negotiated a good deal for them, and the vendor was really squeezed. Rather than a 'win-win' it was more a 'win-lose' for the Vendor.

The client told me a few months after I had left that they had an excellent working relationship with the vendor but the vendor was adamant that he never wanted to see me again. I had pushed them too far and there was no enduring good feeling between the vendor and me. In the end I played the ‘bad cop’ role with the vendor and left the ‘good cop’ role to the client. I left with the vendor blaming me for one of their least profitable sales. The client still had a good relationship.

Who is the Better Negotiator

If you think about it, you might negotiate one or two or three major purchases in a year. The vendor probably negotiated dozens. Who is likely to be the more experienced? The answer is obvious. The vendor will know more tricks than you will learn in a lifetime. Be aware of this and never feel embarrassed to ask for clarification. Take each glib comment as a potential bear trap.

In an ERP purchase, the vendor mentioned that they would work out the number of licenses after we agreed a license rate. That started ringing warning bells as we had mentioned that we expected to only have around 20 concurrent licenses. There were around 40 potential users but we thought only 10 to 15 would be online at any time. I was curious as to why we couldn’t agree to 20 licenses up front. It took about 10 minutes of questioning to establish that they only sold named seat licenses. Each user had to have their own license regardless of the concurrent usage. Suddenly we needed 40 licenses, not 20.

The lesson is that playing dumb and asking lots of questions might prove to you that you are dumb. Perhaps you don’t understand as much as you think.

Summary

Negotiation is a skill that needs to be learned. To some it comes more naturally than others. When large sums are involved, a skilled negotiator can end up paying for their cost many times over. At least get yourself a book on negotiation and go into the negotiation with your eyes wide open.

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