

Negotiating Risk, Scope, Schedules, Costs and Fees in Today's Market

Construct Canada 2010

December 1, 2010

Game Plan

- What is Negotiation?
- Why You Need Outstanding Negotiating Skills
- Where Can Those Skills be Applied?
- OK, How Do I Negotiate Like a Pro?
- Gambits
- A Few Common Errors
- Metrics

What?

“Mutual discussion and arrangement of the terms of a transaction or agreement”

Dictionary.com

“Bargaining (give and take) process between two or more parties (each with its own aims, needs, and viewpoints) seeking to discover a common ground and reach an agreement to settle a matter of mutual concern or resolve a conflict.”

Businessdictionary.com

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What?

- Critical business skill
- It's a teachable/learnable skill
- Practice makes perfect
- Potentially huge ROI – not secondary
- 2 types: “deal” and “relationship”
- “give and take” vs. dictate
- Can be sprint or marathon
- Has to conclude

Why?

- Establish parameters for relationship
- Defines expectations
- Lots of applications for negotiating skills
- “Partners” are often very skilled at it e.g. P3
- Benefits
 - Project success
 - Business success
 - Profitability
 - Enterprise sustainability

Why?

- Too many negotiate by saying “OK” or “No Way”
- Increasingly, incredibly competitive
- Increasingly adversarial
- Risk Transfer
- Imperative to business development
- Critical business skill
 - AIA sees more firms becoming more business-like because of recession

Where?

- Owners
 - Often with Proj Mgrs
- Alliance Partners/JVs/M and A
- Subs
- Suppliers
- Authorities
- Users
- Public

Where?

- Business Partners/Shareholders
- Banks
- Business suppliers
- Business service providers
- Legal and financial advisors
- Landlord or property vendor
- Employees and 'contractors'

Where?

- Family
- Neighbours
- City Hall
- Retail
 - ‘negotiate for meat’
- Service providers
- Banks
- Home purchase

How?

- Strategy
- Prepare
- Practice, Practice, Practice
- Open the Negotiation
- Close the Deal

Strategy

- Context is YOUR overall enterprise strategy
- Objectives
 - Overall
 - What You Want from “Partner” (your negotiating opposite on ‘other side of table’)
 - What You Won’t Give Up
 - What You Might Trade Off
 - That’s of value to Partner
 - What You Might Give Up
 - Little cost to you – value to partner

Strategy

- Objectives
 - What Partner Might Give Up
 - Little cost to them, you'd value
 - Fallbacks
 - BATNA
 - WATNA
 - When You Will Walk
- Strategic Alliances or Advisors

Strategy

- Realistic
- Should others be involved for best outcome?
- Home team advantage
- The nasty 'my way or the highway partner'
- Keep in mind
 - Some things are not negotiable
 - There is (usually) not a single, isolated issue in play
 - Strategy is not 'cast in concrete'

Prepare

- Lists of items previous slides
 - Keep in your back pocket
- Gather Intel
 - “partner”
 - Who?
 - Role?
 - Experience and track record
 - Objectives, etc.
 - Personal
 - Identify and test assumptions

Prepare

- Intel
 - Facts
 - Pricing
 - Budget
 - Resources
 - Schedule
 - Time
 - Marketplace
 - Alternatives and options

Practice

- Generally
 - Meat, suits
- Specifically
 - Rehearse
 - Role play

Open the Negotiations

- Establish positive/constructive environment
- Frame
 - Objectives
 - What to achieve today
- Summarize discussion points
- Manage the process
- Body Language

Open the Negotiations

- Listen
 - Arguments and rationale
 - Concessions
 - Nuances
 - “What I hear you saying ...”
- Self-control
 - Theatre
 - Humour – be careful

Open the Negotiations

- Juggle all the issues until the end
- Don't get hung up
 - On 1 issue
 - On details
- Keep negotiations focused
 - Objectives ... Reframe if necessary
 - Don't let negotiations get sidetracked onto a new issue that's not relevant
- Expect the unexpected

Open the Negotiations

- Keep discussions/tone constructive
 - Avoid ‘hardened positions’ and anchors
 - Juggle, defer, face saving
- Ask open ended “high yield” questions
- Be flexible, but not a ‘doormat’
- Be creative, innovative, “out of the box”
- Take a break
 - Frame in and out; consult; ‘percolate’

Open the Negotiations

- List pros and cons
 - Individually
 - Jointly
- Remember, *“The next one who speaks ...”*
- Be decisive
- When all issues are resolvable, CLOSE
- Close the deal
 - Commitment or signature

Gambits / Tactics

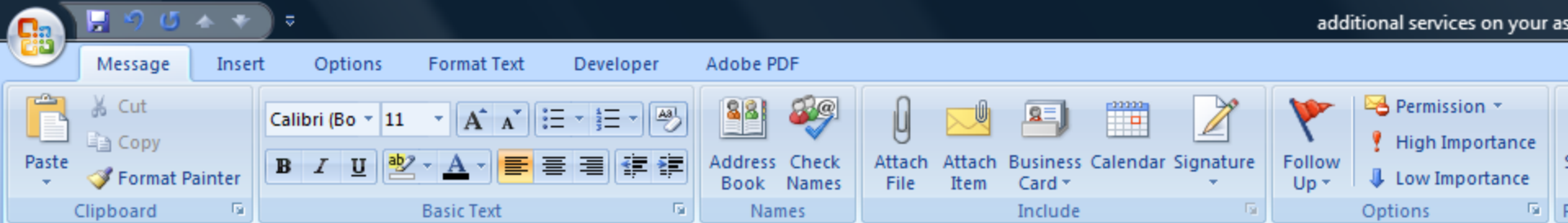
- “Nibble”
- “Hot Potato”
- Red Herring
- Higher Authority
- “Set-Aside”
- Good Cop/Bad Cop
- “Flinch”

Gambits / Tactics

- Withdrawing the offer
- Splitting the Difference
- “You’ll just have to do better”
- “Funny Money”
- Emotion

OOPS – Common Errors

- Believe a concession benefits only one side
- Lack of negotiating acumen
- Treating negotiation as secondary
- Conceding at the first pressure “OK”
- Under-prepared
- Over-confident
- Lack of confidence, fear
- Focusing on just one element



Message Insert Options Format Text Developer Adobe PDF

Cut Copy Paste Format Painter Clipboard

Calibri (Bo 11 A A Bullets Numbering Links

B I U ab A Bullets Numbering Links

Basic Text

Address Book Check Names Names

Attach File Attach Item Business Card Calendar Signature Include

Follow Up High Importance Low Importance Options

This message has not been sent.

Send

To...

joe smith

Cc...

Account

Bcc...

Subject:

additional services on your assignment

Joe, howzitgoin?

Listen, we did a bunch of extra work on this file and we'd like to see some accommodation, if possible.

We logged 36 hours beyond what we had estimated.

At our usual charge-out rates that would be around \$8,000.

How be we saw off at \$5K?

If we need to talk, give me a call.

Brian|

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Metrics – Measure When Successful

- Completed the negotiation and closed
- “Win-Win”
 - On the issue
 - On the relationship
 - Other party was fair and reasonable
 - Being ‘at the table’ has added to the relationship
- Enthusiastic and motivated to move forward

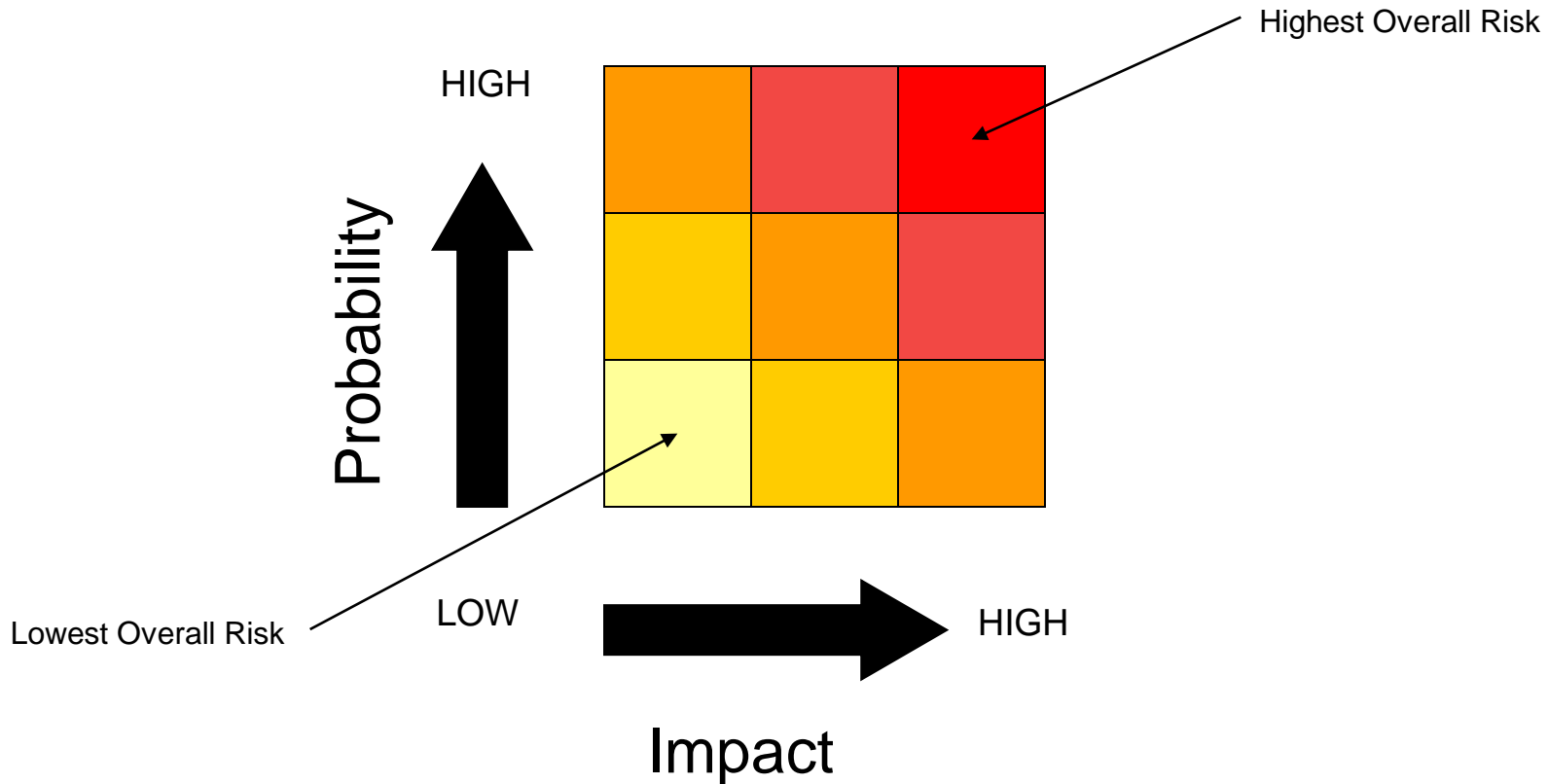
A Few Words on Risk Management ...

Risk Management ... **NOT!**



“I’m sure things will work out just fine!”

Risk Assessment Matrix



Our Website is Under Development – Opening Soon



Led by architect and former Executive Director of the Ontario Association of Architects Brian Watkinson, Strategies 4 Impact! Inc. provides strategic support, advice and consulting services to businesses in the design and construction sector, their associations and their clients.

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