

The Art & Science of Negotiations for the Project Manager



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Your Presenters....

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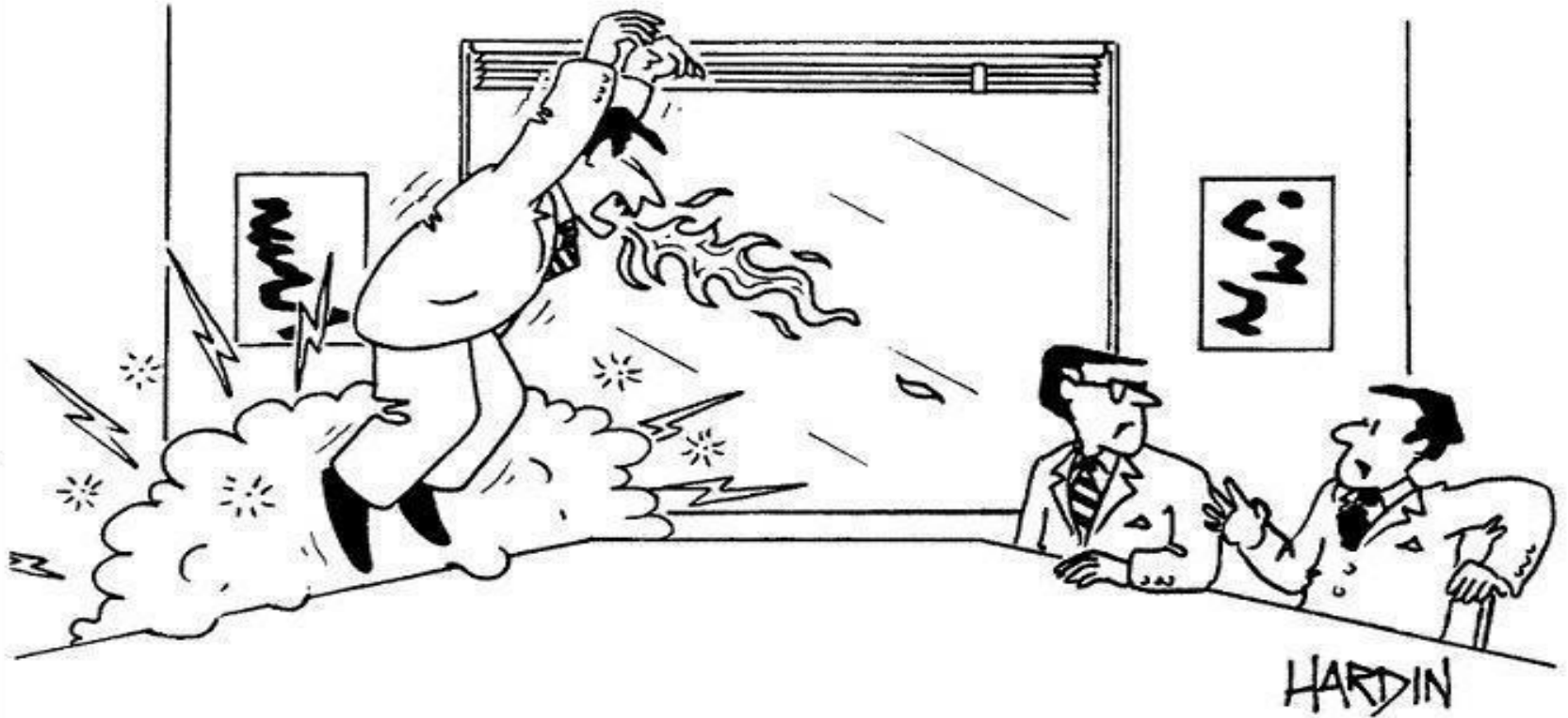


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What is Negotiation?

Negotiation is a 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.



"Don't let it throw you - It's just a negotiating tactic."

Negotiating is a Critical Skill for Project Managers (PMs)

- ❑ PMs are engaged in discussions around scope, schedule, and cost
- ❑ Different views are often encountered in projects
- ❑ Resource constraints are common among projects
- ❑ Negotiation skills strengthen influence skills
- ❑ Unaddressed resistance hides in many projects
- ❑ Negotiating is often the resolution to conflicts
- ❑ PMs working with the project sponsor often involve negotiating
- ❑ There are professionals that focus on negotiations; it might be a one-time event for some PMs

"In business, you don't get what you deserve....you get what you negotiate" Chester Karrass

The “Gray Areas” of Negotiation – Creative Thinking

Since negotiation involves balancing goals, seeking common benefits, seeing things from others' views it needs a unique combination of both critical and creative thinking.

- Different **personality styles** create a need for different approaches with others.
- There are **cultural differences in negotiations** as well as different ways to negotiate in different industries.
- Emotions** play an important part in the negotiation process.

International Negotiation and Culture

- Globalization of project teams is increasing
- Much research shows business culture differences:
 - Power
 - Gender
 - Uncertainty / Avoidance
 - Individualism / Collectivism
- Cultural Preferences
- Language issues



Emotional Impact

- ❑ Negative emotions can cause conflicts to escalate and negotiations to break down
- ❑ Positive emotions often facilitate reaching agreement and maximizing joint gains, as well as be instrumental in attaining concessions
- ❑ Positive and negative emotions can be strategically displayed to influence task and relational outcomes



Are emotions, in your experience, a sign of weakness, or a sign of conviction?

Why Negotiations are so Complex?

Good Guy/Bad Guy

Personal Insult

Attacks

Withdrawal

Missing Man

Limited Authority

Fair and Reasonable

Lying

Delay

Deadline

Extreme demands

Fait Accompli

Communication is critical for success

- ❑ **Attacks** - “If your organization cannot make a decision now it should get out of the industry”
- ❑ **Personal Insult** - “If you do not understand the project, you should find another job”
- ❑ **Deadline** - “You have to make a decision by today or the deal is off”
- ❑ **Limited Authority** - “I am not authorized to do anything more then what I have proposed”
- ❑ **Missing Man** - “Only my partner can agree to that and he is on vacation”
- ❑ **Fair and Reasonable** - “This offer is fair to both parties and that is why you should agree”
- ❑ **Extreme Demands** - “If you don’t agree to this the entire company is going to close down”
- ❑ **Lying** - “What we meant by saying that was that the cost fluctuates based on the time to market. That’s an outdated form.”
- ❑ **Good Guy / Bad Guy** - “I don’t agree with my partner is saying, we don’t have another month to discuss this, we need decision this week”
- ❑ **Delay** - “We will put this off until the next time we meet.”
- ❑ **Withdrawal** – “That is not my problem”
- ❑ **Fait Accompli** - “It is what it is, I can not change the organizational policies

How PM's get better at negotiations?

- Assess your soft skills
- Learn new techniques
- Understand the fundamentals
- Review best practices
- Learn from past experiences
- Practice



"Two of the most critical soft skills that all senior executives (Project Manager) must possess are **communication skills**: the ability to effectively speak in public **and the ability to negotiate**. The job of a C-level executive is to accomplish great things through the people on their team. In order to make this happen, the fantastic leadership ideas in their head need to be able to get out in order to influence others.... One of the great myths of management is that once you reach the C-level, you control everything. The reality is that you now have a lot more responsibilities and not much more control. That means that senior executives need to have the skills needed to work deals quickly and efficiently. **This is where a mastery of the art of negotiating comes in**. Knowing how to size up the other side of the table, when to give in and when to challenge them are all parts of how C-level executives marshal the resources and the staff to accomplish great things."

-- Jim Anderson, president and CEO, Blue Elephant Consulting, a communications consulting firm

Soft Skills - Personal

❑ Attitude

- ✓ Everything is negotiable all of the time
- ✓ Compromise is omnipresent
- ✓ "Fair" is a range

❑ Communication Skills

- ✓ Lines of communication are critical
- ✓ Be cooperative, but don't let your guard down
- ✓ Listen
- ✓ Pare down large groups

❑ Planning

- ✓ Develop a flexible negotiation plan
- ✓ Plan your first move carefully
- ✓ Goals are more important than bottom line
- ✓ Plan to make concessions

Understand your opponent's perspective



Soft Skills – In Action

❑ Ability to evaluate and assess the problem

- ✓ Look beneath the surface
- ✓ Break the problem up into issues
- ✓ Look for multiple solutions
- ✓ Evaluate people, interests, options and criteria
- ✓ Evaluate the leverage, determine if help is needed
- ✓ Consider the “consistency principle”

❑ Take the lead on the closure

- ✓ Don't blow the end game
- ✓ Strive for a “wise agreement”
- ✓ Pay attention to details, but don't sweat the small stuff
- ✓ Don't neglect emotional closure

“He who has learned to disagree without being disagreeable has discovered the most valuable secret of a diplomat.”

--Robert Estabrook

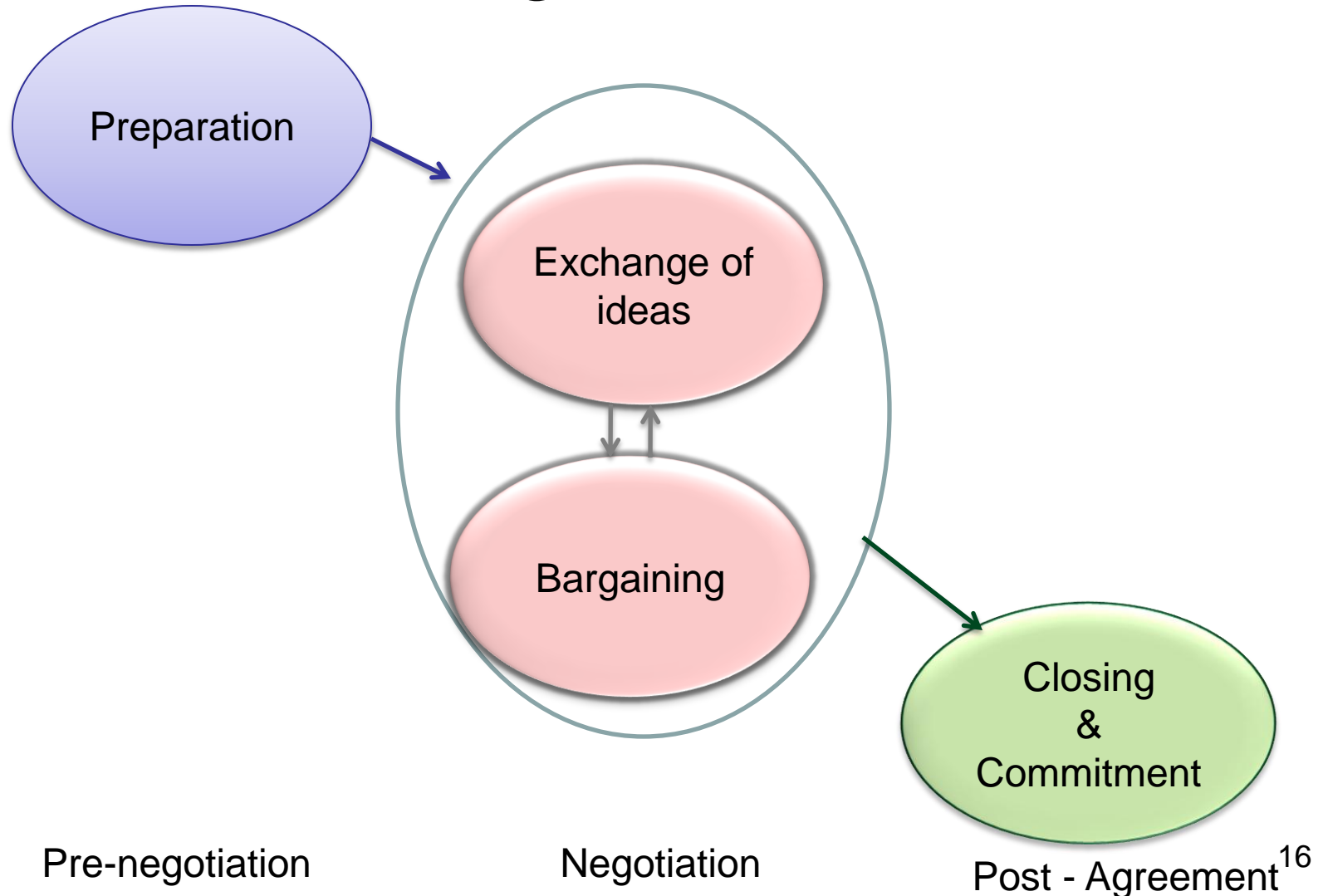
Soft Skills – Conflict drives Personal Growth

❑ Embrace Conflict

- ✓ Draws attention to important issues that affect employees / organizations
- ✓ Allows people to learn that relationships are strong enough to withstand the test of conflict
- ✓ Helps PM's hone their style for dealing with difficult issues
- ✓ Enhances personal development and self awareness
- ✓ May be stimulating and fun



Fundamental Elements of Negotiation



Strategies for Negotiating

Ability to identify other party's negotiation strategy will enable PM to control situation better, react appropriately, and create customer approach to each individual negotiation party

Compromisers will offer to split



Avoiders don't want to play



The Competitor remains in control



Problem solvers devise a creative solution



Accommodators hope the others will share

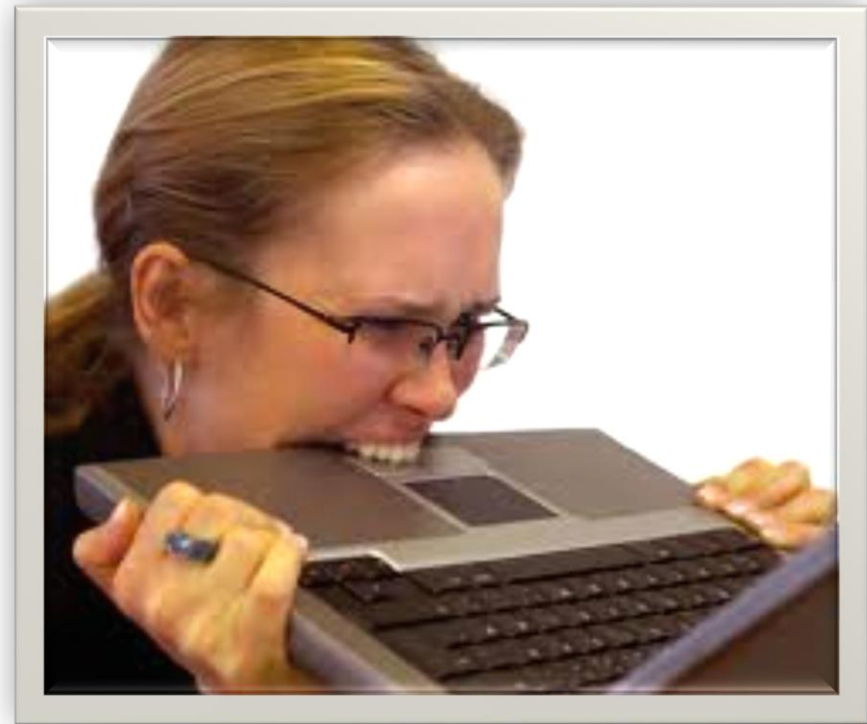


Upward Negotiation Challenges

The end of the project was defined before we started the project

My scope keeps increasing

They are challenging the cost of my effort



Upward Negotiation Considerations

- Take ownership on negotiation with superiors, sponsors, etc.
- Understand there is often a “Driver” personality
 - Timing is important
 - Bottom line, facts & figures
 - Bring solutions
 - Give them a decision to make
- 70% Social so:
 - Use word pictures & storylines
 - Leverage other successes
- Persuasion is a process, not a one-time event
- Get results by listening, proposing a position, testing it, and then refining



Contract Negotiation Process

A period to clarify and resolve issues

- Define need / scope / requirements
- Evaluate alternatives
- Analyze cost impacts
- Negotiate contract / boundaries
- Gain agreement

Contract Negotiation Best Practices

- ❑ Use negotiation teams
- ❑ Call a timeout caucus as needed
- ❑ Understand labor/management contract intricacies
- ❑ Be aware of legal implications of contracts
- ❑ Ensure binding and non-binding arbitration
- ❑ Compromise and settle as appropriate
- ❑ Know when and how to walk away
- ❑ Remember to negotiate all of the following:
 - ✓ Price
 - ✓ Delivery
 - ✓ Inspection guarantees & review rights
 - ✓ Performance
 - ✓ Guarantees/Warranties/Exclusions

“Everyone has just his [or her] own negotiating style, and the worst thing you can do is to adopt a negotiating technique that does not feel comfortable [because] credibility, based on an evident sincerity, is the most important single asset of a good negotiator.”

James C. Freund, *Anatomy of A Merger*(1975)

Resources

(See Handout)