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Be flexible — to a point

Establish your lower limit before you negotiate

Question:

When I think about being flexible in a negotiation, the idea seems like I am accepting less than what I wanted. Is this true?

Answer:

Some negotiations flow rather smoothly and agreement is reached without too much difficulty. At other times, especially when dealing with complex negotiations, making adjustments is necessary to find common ground. How well you do this determines how quickly you reach mutual agreement and the overall quality of the outcome.

During your pre-negotiation planning, you need to define your minimum acceptance on all issues such as price, delivery, quality and terms. That will help you assess the acceptability of the other party's demands and requests.

Your initial offer should represent your ideal outcome — without being too unrealistic.

For example, if you are negotiating to make a purchase and the asking price is \$45,000 and you want to pay a bargain basement price, you might begin by offering \$32,000. The gap between the two figures, \$13,000, represents the amount to be negotiated.

To be successful in a flexible negotiating world means that not only must you establish your negotiation limits before you start, but you must be loyal to them.

Begin by asking yourself: "What is my bottom-line negotiating position?" Your response will be your walk-away position no matter what the negotiating situation is.

Unsatisfactory deals result when people fail to establish limits before negotiating or exceed them by rationalizing that what's been offered is better than no deal at all. This is a huge mistake that erodes profit margins, confidence and the viability of long-term profitable business relationships.

By establishing your bottom-line position, you are also creating a benchmark for measur-

ing your concession strategies. A good rule of thumb is to make concessions slowly and make concession progressively slower. That will make the other party feel that you are getting close to your walk-away position.

Also remember to ask for concessions in return for those things that are most important to you. That establishes value for what you are giving up, and you don't come across as someone who succumbs under pressure.

Be mindful, if someone is trying to force an unfair deal on you during negotiations, that person will be just as unscrupulous in any future dealings you have with him or her. How you negotiate upfront sets the tone for future dealings.

Often during negotiation discussions, issues are raised that require adjustments in a negotiating position. It may be the result of something substantive recommended by the other party, or your own realization that there are factors your original position did not take into account. On other occasions, both parties may adjust their positions in an attempt to find a more appealing solution. Whatever the reason, there are certain safeguards to take when you're contemplating any extensive changes in your negotiation plan.

First, take the time to evaluate the substantive changes.

Be sure you have looked at all angles so you can be certain if the offer meets your criteria. It is not unusual, when going back and forth, particularly in complex negotiations, to overlook a small item that may have significant implications down the road.

For example, if you are buying \$500,000 in new computer equipment for your company, you learn after the fact that the software that "comes" with the new equipment is not what you wanted. It costs an additional \$63,000 to get what you need. Or maybe you overlooked the service agreement. Two years later when you have a problem with a piece of equipment, you find out that the other party reduced the original offer from five years down to one to reduce the price. Now, two years later, you are forced to pay the full labor and repair price.

Second, it's always in your best

interest to have another person within your company or who is "on your side" review the details. It's not uncommon to miss critical elements when you have been going back and forth over a considerable amount of time.

A business owner I am close to was in the process of buying a company. Contention between the two parties over the wording of a specific paragraph in the contract stalled the transition. Ten months later, they finally reached consensus. Both parties, with their attorneys present, signed the new and final copy of the contract. The next day, the person purchasing the company noticed that the entire paragraph they had been arguing about was completely missing from the document.

After a great laugh, and much embarrassment on both attorneys' behalf, an addendum was added. Interestingly, everyone in the room recalled "seeing the paragraph." Time and talk can play tricks on you.

For your own benefit, it's a good rule of thumb to always assume that the other party has invested considerable time and deliberate forethought in determining their offers. Take time to get the information you need so you make an informed decision. Map out options. Determine which one(s) offers the greatest building relationship quotient while protecting your interest.

Having clarity about the outcomes you want to achieve will help you determine the best strategy to achieving a mutually beneficial agreement.



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