

Project Negotiations - Deal Yourself a Winning Hand!

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Project Negotiations: Deal Yourself a Winning Hand

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APICS Tappan Zee Chapter



Chapter Meeting
November 18, 2010



Presentation Scope



- **Objective:** improve your negotiating skills.
- **Topics:**
 - #1 - Recommended procedure to follow for preparing and conducting a negotiation
 - #2 - Top 10 mistakes made in negotiations, as well as techniques that can be used to avoid them

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What IS Negotiation?

- Negotiation is a means of getting what you want from another party
- Ideal = Principled Negotiation:
 - Try to understand the position of the other side
 - Openly work together to problem solve and make decisions based on merit
 - Reach a mutually acceptable agreement



* Fisher, R., and Ury, W. (1991) *Getting to Yes – Negotiating Agreement Without Giving In*. Penguin Books: New York.

PMs & Negotiations



- Project Managers (PM's) are negotiators
- Over the course of a project, PMs engage in many negotiations:
 - Scope
 - Staffing
 - Budget and Schedule
 - Materials & Services
 - Change Orders



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Playing the Game

If you're gonna play the game,
you've got to play it right!

- Know when to hold 'em,
- Know when to fold 'em,
- Know when to walk away,
- Know when to run!



Topic 1

The Negotiation Process

- Pre-Meeting Planning
- Meeting
- Post-Meeting



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Pre-Meeting Planning

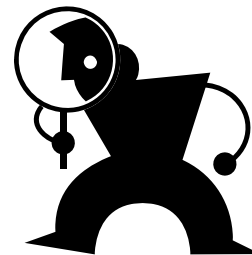
- Planning is the **cornerstone** of effective negotiations!
- Pre-meeting Planning has three dimensions:
 - **Strategic Planning** – addresses the goals for the negotiation
 - **Administrative Planning** – deals with managing pre-meeting activities
 - **Tactical Planning** – determines the approach and techniques to use to get the best possible results



Pre-Meeting Planning

Strategic Planning

- Based on **factual** information
- Need to learn opponent's needs and goals by studying their business
- Financial analysis = **critical**



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Pre-Meeting Planning

Strategic Planning

- Key Strategic Planning output is deciding on:
 - Initial Offer
 - Goal for Settlement
 - Walk-Away (No Deal) Point



Pre-Meeting Planning

Administrative Planning

- Answer the 5 “Ws”:
 - Who?
 - What?
 - Where?
 - When?
 - Why?



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Pre-Meeting Planning

Tactical Planning

- Type of Negotiation
- Possible Tactics, such as:
 - Timing
 - Bluffing
 - Use of Concessions



Meeting

- Three Phases
- **Phase 1:** Opening (Staking Positions):
 - Rules and Agenda
 - Verbal “fireworks”
 - Identify problems and issues

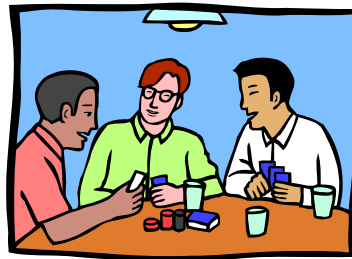


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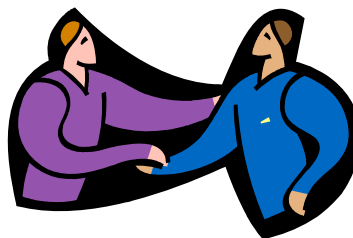
Meeting

- **Phase 2:** Hard Bargaining:
 - Discussions and modifications of position
 - Conflict negotiations



Meeting

- **Phase 3:** Closure and Agreement



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Post-Meeting

- Agreement elaboration (formal contract)
 - NOTE:** More negotiations can occur during this time period!
- Stakeholder acceptance



Topic 2:

Ten Negotiating Mistakes

1. Low Aspirations / Weak Negotiating Skills
2. Making 1st Concession and/or Large Concessions
3. Neglecting to Ask Questions
4. Providing Too Much Information
5. Losing Focus During Negotiation



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Topic 2:

Ten Negotiating Mistakes

6. Reaching Quick Settlement
7. Making Low Initial Demands
8. Making Assumptions
9. Lacking a Plan
10. Misusing Power



Mistake #1

- Having low aspirations and/or weak negotiating skills



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The Real Score

- High aspirations trump low aspirations:
 - High aspiration levels = more successful
 - Skilled negotiators + high aspiration levels = very successful
 - If both parties have high aspirations and are highly skilled, the probability of deadlock is high



The Real Score

- The greater the skill gap between opponents, the more often the skilled negotiator wins
- Unskilled negotiators tend to lose, **except** when they have power and high aspirations



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Mistake #2

- Making low initial demands



The Real Score

- The skilled negotiator may:
 - make large initial demands
 - reveal no initial position
- Making large initial demands **improves** the probability of success



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Mistake #3

- Making the first concession and/or large concessions



The Real Score

- Avoid making the largest single concession in a negotiation
- Make only small concessions during negotiations
- Avoid making the first compromise
- Make lower/fewer concessions as the deadline approaches



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Mistake #4

- Neglecting to ask questions



The Real Score

- Ask questions to learn about needs and goals
- **Careful!** Be conversational
- Work questions into the first part of negotiation
- What's the worst thing that can happen?



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Mistake #5

- Providing too much information



The Real Score

- Don't provide information that can help your opponent
- Lying or providing misinformation is **not** recommended!
- Nothing wrong with not answering questions or keeping a "poker" face



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Mistake #6

- Making assumptions



Assume: Ass + u + me!



The Real Score

- Treat assumptions with skepticism:
 - Work on the basis that your assumption may be **wrong!**
- Test assumptions by asking questions:
 - You may not get a response
 - At worst, the person may lie
 - Surprisingly, most times you will get the information needed to determine whether the assumption is valid



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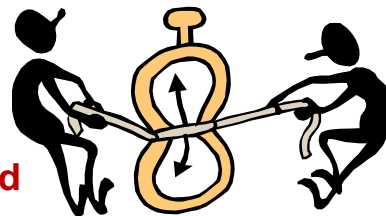
Mistake #7

- Reaching a quick settlement



The Real Score

- Quick settlements:
 - usually result in more **extreme** outcomes
 - typically favor the **skilled** negotiator
- Deadlines may be used as a pressure tactic to get concessions — skilled negotiators will create deadline even if one doesn't exist



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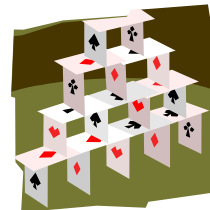
Mistake #8

- Lacking a plan



The Real Score

- Follow the pre-meeting negotiation process:
 - **Strategic Planning:** Write down you initial offer, goal for settlement, and walk-away (no deal) point
 - **Administrative Planning:** The 5 W's
 - **Tactical Planning:** What type of negotiation and what tactics will you use



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Mistake #9

- Losing focus



The Real Score

- If you see yourself about to make a concession which may not be wise, stand up and state you need a short break
- Another good tactic is **silence**, which is uncomfortable for many people

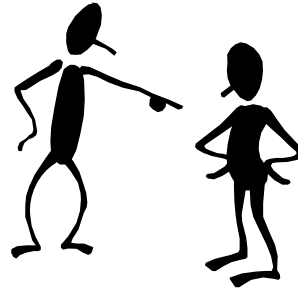


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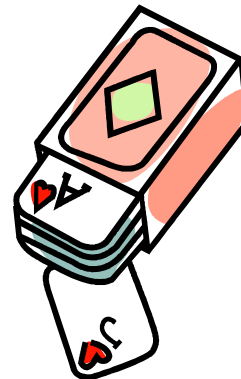
Mistake #10

- Misusing power



Sources of Power

- Ability to reward or punish
- Authority
- Knowledge
- Ability to tolerate risk & uncertainty
- Time and patience
- Negotiation skills



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The Real Score

- Power may – or may not – be real
- Power can be exerted without action
- Power exists to the extent it's accepted
- Use of power always entails **risk**
- Forcing a decision in your favor may lead to unintended consequences
- Power relationships can change over time



In Summary

- Good agreements help you reach goals
- Good negotiating skills are essential to obtaining good agreements



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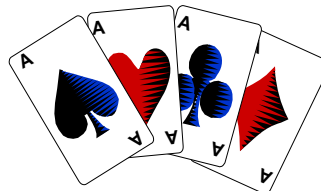
A Successful Negotiator...

- Has high aspirations
- Makes high initial demands
- Avoids making first concessions
- Concedes slowly & avoids large concessions
- Plans to negotiate
- Uses time and patience



Final Words of 'Wisdom...

Know when to hold 'em,
Know when to fold 'em,
Know when to walk away,
Know when to run!



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Questions?



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**Chapter Meeting
May 11, 2010**

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