

Getting to a win-win

Effective negotiations in stressful times

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A wide-angle, nighttime photograph of a city skyline, likely New York City, with numerous skyscrapers illuminated against a dark sky. The lights reflect on the water in the foreground.

Today's Speaker



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Approach: regardless of the 'ask,' there is a 'leading practice' approach to responding

8 Consult with others

You must be careful about setting precedent and make decisions that are beneficial to both parties. Before finalizing any commitments, tell the other party that you would like to consult with your leadership team and/or board (if you have one in place).

7 Ring-fence the solution

Ring-fence the outcome of the discussion with a time limit of no more than three to six months. Don't change your financial terms; create temporary terms that will expire. Commit that you will revisit the situation as time passes.

6 Collaborate on options

Options tend to reduce the emotion by creating alternative choices and can help the parties better understand each other's interests and the implications of each path forward.

1 Prepare: get ahead of the "ask" if possible

Sit down with your leadership team/others and discuss what you know and what you need to know

2 Solve the right problem: understand the situation

Often, when clients/businesses are under unusual stress, they are very reactive and, in your responsive manner, you address the wrong issue. Work to understand the client/business's real, underlying concern that is driving any commercial conversation.

3 Empathize at a business AND personal level

It's very important to acknowledge to them that you understand their situation and you understand that it might be uncomfortable for them to ask for these changes. Thank them for the relationship you have and for engaging with you at this important time.

4 Understand that big moments matter most

Your responses and how they are received will be looked at in an exaggerated way, good or bad. Be very emotionally sensitive to your responses and how they may be perceived.

5 Lead a difficult conversation

Knowing the client or business's culture and your relationships, provides you with the opportunity to proactively address the situation to make the other party feel heard and understood by actively listening and ultimately controlling the discussion.



Key considerations when developing a response strategy

Who at the company is making the request and what is your relationship with them?

Prior to COVID-19, did you renegotiate anything (e.g. a significant product quantity, body of work, a rate card or anything else commercial in nature) that might have bearing on this situation?

What other **recent investments** can you call the client's attention to (e.g. volume-based incentive program, credit program, phase zero work, industry/business workshops)?

Does client typically pay you on time? Current payment term situation?

Are investments that you make at this client typically rewarded with anything in return (i.e. is there a history of a give/get mentality)?

Do you trust the client/company to hold to any commitments on their end based on past experience?

Potential asks and considerations

Asks:	Options to consider:
<p>Fee reduction</p> <ul style="list-style-type: none"> ▶ Pricing/rate reduction ▶ Lower fees ▶ Provide free hours/value ▶ Scope/product changes 	<ul style="list-style-type: none"> ▶ Option 1 – Reduce overall costs to company through non-rate/pricing reductions: <ul style="list-style-type: none"> ▶ Reduce or defer scope/product until later if possible ▶ Shift hours/production to lower levels ▶ Highlight immediate benefit of no travel expenses (hard savings of typically 12%+) if applicable ▶ Option 2 – Invoice level discount/credit for a period of time (60-90 days) and then subject to re-evaluation. If there is a volume-discount/credit-bank program in place with this company, offer as a one-time gesture to honor a higher level of discount for a period of time.
<p>Cash flow</p> <ul style="list-style-type: none"> ▶ Extend payment terms ▶ Defer invoice payments 	<ul style="list-style-type: none"> ▶ Option 1 – If work is being done under a time and materials structure with front-loaded fees, evaluate potential to shift to fixed-fee “flattened” over time. However, depending on how your scope can be defined, changing to fixed fee may not be an option. ▶ Option 2 – Amend payment terms for a limited period of time and gain mutual agreement on when contracted payment terms return to normal.
<p>Work stoppage</p> <ul style="list-style-type: none"> ▶ Delay project/product ▶ Cancel project/product delivery 	<ul style="list-style-type: none"> ▶ Option 1 – Re-evaluate scope/product volume to potentially reduce hours and amend delivery timeline to offer immediate financial relief and keep the work/delivery plans going. ▶ Option 2 – Offer to delay, rather than cancel, and commit to similarly resourced team or products delivered when things restart. ▶ Option 3 – Depending on size of projects or product deliverables, offer to continue all projects/product production at a reduced rate/pricing if you can have more time. That allows you to reduce some resources and cut costs, but keep most of your resources deployed and projects/product deliveries on track.

Potential asks in return for concessions

Gaining something of value in return for a concession is a standard principle of negotiation. The highly sensitive nature of the current situation, however, poses a particularly unique challenge to making these kinds of “give-get” trades. While this doesn’t mean that you shouldn’t ask for something in return, such requests need to consider the nature of the relationship, the specific stakeholder (e.g., business vs. procurement) and manner/timing in which it is requested.

Potential asks you can make of the company/client for anything you offer might include:

- ▶ Commitment from other side that no RFP will take place for the service(s)/product(s) for at least a year; similar commitment that no broader rate/pricing reduction requests will be made for that period
- ▶ Future product purchases or phases of existing work with no competitive bid/RFP
- ▶ Commitment from other side that you will be given right of first refusal or sole source preference in other pending areas
- ▶ Commitment on annual increases (post this crisis) to make you whole over time
- ▶ Commitment of monthly meetings with company’s executive leadership if there has been a lack of governance in the relationship



Frequently asked questions

Should you approach the other party first, or wait for them to ask for a concession?

This is dependent on the company and the relationship you have with them. For companies in particularly impacted industries where you have strong relationships, approaching them proactively, empathizing with them both personally and from a business perspective and listening to their concerns can be very impactful. Any assistance you offer to provide should be positioned as how you can help them through this difficult time.

Who in your organization should approach/respond to the company?

The CEO should interface with the client's C-suite or one of your senior executives in the case of senior business stakeholders. If procurement is making the request, you should consider having the business development lead or other non-client-facing member conduct the initial conversation to understand the situation and the initial ask; this will also effectively add a buffer that gives you the opportunity to assess the ask and develop a strategy.

At what point do you engage your leadership team and/or board for consult on an offer to a client?

It can be beneficial to consult and discuss the justification for any concession when your profit margin or revenues are negatively impacted.

How should you think about the ultimate impact of any request?

The ultimate impact of any request is to revenue and associated margin, while the impact of how you respond to the ask could be precedent setting.

When agreeing to provide a concession, should you change the underlying commercial structure of the deals?

No, you should not change the commercial structure (pricing, pricing structure, pricing methodology, etc.) of an existing deal on which you are providing the concession. If the pricing/fees have to be adjusted, it should only be done for a specified period of time.

What deals should be eligible for concessions?

Only ongoing deals should be eligible for concessions. Future deals should be dealt with on an individual basis and you should avoid making pricing concessions and focus on overall fees.

The company wants to set up a new pricing/rate structure immediately to deal with the current crisis. How should it be handled?

Once pricing/rates are adjusted downward it may prove difficult to adjust them back. The best approach is to offer discounts rather than adjusting the pricing/rates.



Summary

Be proactive

- ▶ Approach business/commercial vendors proactively

Be prepared

- ▶ Understand the other side's situation and their interests
- ▶ Determine your asks and your concession strategy



How to get in touch

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