



**Project Management  
White Paper Series**

## **How much?**

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# How much?

by Keith Fournier

## Introduction

If you are communicating to someone, there is a good chance some form of negotiating is occurring. Negotiating is not just for managing vendors, staff, peers or superiors. It occurs every day when determining where to go to dinner with your spouse, getting your teenage son to clean his room, or trying to get a nice table at a restaurant. Negotiating is not bad. However, it sometimes has a bad connotation.

As a project manager, negotiating is a skill needed for survival. A project manager is always working out deals to get resources, balancing budgets, managing expectations, and finalizing delivery dates. A project manager is communicating 80-90% of the time. The remainder of the time is usually spent preparing to communicate. As a result, project managers seem to be negotiating all the time. To be successful as a project manager, you must be an excellent negotiator.

It is evident that negotiating is an important skill. Negotiating is so critical, many books are written and seminars held on the subject. Surprisingly, it is seldom part of college curriculum. Negotiating is a skill like any other skill. It takes training, observation, experience and practice to be effective. The best learning tool is to observe others engaged in negotiations. Some people are lucky and have a father or mentor that demonstrated negotiation skill during your childhood or early in their career. These people have an advantage and can integrate negotiation skills into their daily routines. Even if negotiating is very uncomfortable, a working knowledge is critical to at least be able to identify tactics and have a working knowledge how to counter them when used on you.

## Bargaining vs. Negotiating

There is a difference between bargaining and negotiating. The difference lies in the intent of the outcome of the encounter. Bargaining occurs in short term encounters whereby no long-term relationship is expected or desired. For example, when at a garage sale or walking around a swap meet, bargaining is used to get to the lowest agreeable price. If the low offer is not accepted or countered, both just walk away from the transaction. This can also be called haggling. Haggling is a technique to determine the actual interest in the buyer or seller to enter into the transaction and ultimately, their potential to compromise on price. In contrast, negotiations typically result in a goal to enter into or perpetuate a long-term relationship. Negotiating is not to be viewed as a game where there is a clear

winner or loser. The final outcome should satisfy both parties whereby both feel there is a mutual gain from entering into the agreement, resulting in future benefit.

## Types of Negotiations

Almost everyone has heard of “win-win” negotiating. A “win-win” situation occurs when both sides of the negotiations are supposed to be satisfied the outcome. However, many times both sides had to compromise to reach an agreement. This usually occurs to avoid a deadlock. Therefore, it can also be considered a “lose-lose” negotiation when both entities had to greatly adjust their expectations to reach the final agreement. A collaborative negotiation is situations where both sides get what is expected, and are satisfied with the final agreement.

There are two types of negotiating: collaborative and combative. As mentioned, in collaborative negotiations both sides determine it would be mutually beneficial to cooperate and establish conditions that are agreeable to both parties. In contrast, the combative negotiating environment is when there is definite win-lose intent by either or both parties. Each type of negotiating environments occurs because of different conditions or reasons. Sometimes one negotiating environment can easily turn into the other during a single event. Skilled negotiators should be able to identify the type of environment and facilitate a positive outcome that is mutually beneficial.

## Phases of Negotiating

To better understand the mechanics of a negotiation, the encounter can be subdivided in to phases: preparation, negotiating engagement and debrief. During the preparation phase of the negotiation process, several procedural items are determined such as location, schedule, agenda, and duration. Before the team can finalize their negotiating position and strategy, much information must be gathered. It is the duty of the team to obtain as much information as possible about the pending transaction and of the entities that are engaging in the negotiation. To understand this necessity, think of the last time you went to buy a car. It can be either new or used. What kind of information would be important? Many people review Consumer Reports data and get an idea of the reliability of the vehicle, go to the Internet and gather reviews, obtain dealer invoice information, and determine if there are any rebates. If it is a used car, get a CARFAX Vehicle History Report. A prudent person wants to minimize the condition called

asymmetric information. Asymmetric information occurs when one side of the negotiation holds all or most of the information. The other side has less leverage and cannot negotiate a beneficial settlement.

The more information that is known about the opponent and their situation, the more time there is to prepare strategy. In legal proceedings, it is called discovery. The lawyers are allowed to view the information the other side has on the case to prepare for trial. However, preparation is only the first action needed in successful negotiating. When preparation is completed, the next phase of the negotiating process can proceed.

The second phase is the actual negotiation engagement. During the negotiation engagement, several steps happen. The leaders for both sides must establish the goal and expectations of the proceedings. The negotiations subsequently begin by offering, considering and collaborating on agreements for various aspects of the situation. The team should have the discussion transcribed by both sides to ensure accuracy. Key points and action items should be documented and agreed upon prior to moving on to the next agenda item. After there is agreement on a subset of the agreement, the details should be defined and finalized. Finally, the entire agreement should be reviewed and agreed upon prior to closing the session. Using these phases of a negotiation as a guideline will enable the teams to document and finalize the details of the agreement for the final execution of the contract.

Negotiating can be complex and intimidating. It is always best to have a third party advocate as a part of your team during the negotiations. It can minimize the possibility of emotions getting in the way of making a logical and prudent decision. The same holds true when buying a house. Most young buyers ask their parents walk through the house and help with the buying process. Parents are not emotionally attached to the house, have years of experience and can be more objective. These parents are acting as your advocate to make sure the transaction is based on a rational thought processes and not emotional ones.

Prior to the signing the final agreement, the documents are usually reviewed by a third party for clarity and congruity with legal requirements. Prior to the final execution of the contracts, the team should convene and debrief on the negotiation process and review the agreement a final time. Also, lessons learned should be discussed with the team to help with future negotiations and teach newer members of the team.

### Components of Negotiations

Negotiations have the same three components. These components are information, time and power. As discussed, gathering information is critical to the negotiating process. The negotiator should also be aware of disinformation that could incorrectly influence their position to the advantage of the other side. Time always has an impact on the negotiating process. The side that has the least amount of time is usually disadvantaged. The final component to a negotiating encounter is power. Power can be defined by the ability to get things done. There may only be a perception of power if the other side has status or excessive influence. Perception can then perpetuate reality for a given situation. Therefore, consideration should be given to everyone's perception of the situation. It will influence the situational dynamic. There are different types of power. These types include legitimate, reward, penalty, expert and referent. All can have an impact on how the participants in a negotiation act. The problem with power is that either side believes the other has all of the power in the relationship. Using the car-purchasing example, it may be intimidating to walk into the dealership. It would be common to believe that the dealership has all the power in the transaction. How do you know that the salesperson was just told that they better sell a car to the next person in the door or be fired? Assume that if both parties are taking the time to sit at the negotiating table, there is a fairly close balance of power in the relationship. Both need the other side to gain from the transaction.

### Strategies for Negotiating

Every negotiation is unique. Yet there are general strategies that can provide some additional leverage during these sessions. Remember, the goal of a collaborative negotiation session is to build toward a mutually beneficial resolution. Some of these strategies could build animosity and should be used sparingly.

Be willing to take a risk. Taking a risk during negotiation mixes courage with common sense. Do not get too emotionally involved with the outcome. It may shift the control of the situation to the other party. Be able to walk away from the situation if necessary. To minimize being emotionally involved is to have someone negotiate for you. That is why attorneys will not and should not represent themselves. A detached advocate thinks differently during the negotiation and has the ability to remain emotionally segregated.

When in a negotiation session, do not eliminate your options without trying to get something in return. Doing so will set a precedence and the other side may limit

asking for many more concessions. Sometimes, the actual decision maker is not in the room. This will set up the “higher authority” gambit whereby the other team needs to get approval up their chain of command. It should be determined prior to the session that a person with proper authority will attend. If not, it should be determined prior to the commencement of the session and be asked as one of the initial questions. If the decision maker is not present, consider rescheduling.

Formulate the deal from the other team’s frame of reference. Use empathy to understand that the other side. Try to operate from a position that is fair for all parties in the transaction. If an offer may sound ridiculous, it probably is and will not help build the trust needed for a successful outcome. Once a fair offer has been made, be persistent. One of the biggest mistakes novice negotiators make is to talk first. If an offer has been tendered, wait for the response. Just because the other side is silent, it does not mean the offer will not be accepted. Be patient.

Just because your team remains unemotional, it does not guarantee the other side will not become emotional. Do not create or exacerbate an emotional situation, it may backfire. However, logic does not always persuade people either. Logic can be the basis of a proposal but it must include an element of emotional satisfaction for the other side to be considered.

Finally, if the situation becomes unmanageable, it is better to break off negotiations and reschedule. Here is some good advice to remind you what to do in a bad negotiating situation: do not negotiate with a crazy person because they will bring you down to their level and beat you with experience.

The following are guidelines that can be used in the negotiating process:

- 1) Gather as much information as possible.
- 2) Understand power and how it influences the processes.
- 3) Both sides believe the other has more power.
- 4) Be able to identify the difference between bargaining and negotiating.
- 5) Never take the first offer because it may lead to buyers’ remorse.
- 6) Agree to a concession while asking for one.
- 7) Don’t reveal your timeline, both are under pressure to finish
- 8) Don’t reveal your budget, if known ask for less.
- 9) Don’t assume that everyone wants the same thing.

- 10) Determine your tactics based on how assertive or emotional your opponent.
- 11) Don’t get emotionally involved.
- 12) Set obstacles aside to be discuss or resolved later.
- 13) Build on small agreements
- 14) Perception is reality.
- 15) Remember the communication model and where it can break down.
- 16) State needs and wants.
- 17) Work collaboratively to get to final agreement.
- 18) Create a situation whereby both want to work together again.

### Conclusion

Negotiation is a skill that is necessary for almost everyone. The project manager has to master the skill of negotiating to be successful. To become a proficient negotiator, it takes research, study, training, and experience. Excellent negotiation skills are a key to project success and career advancement. It may even help you build better relationships with peers, professionals, friends and family. It is urged to learn and practice negotiating to improve the probability of your success.

### **About the Author**

Keith Fournier, PMP, APMC, CMS, GISP ([keith@isd ltd.com](mailto:keith@isd ltd.com)) is a certified Project Management Professional (PMP) and has an Advanced Project Management Certification (APMC) with 17 years of GIS and IT project management experience. In addition to several technical certifications, Keith holds a Master of Arts in Geography and a MBA. He is the president of Innovative Systems Design Limited ([www.isd ltd.com](http://www.isd ltd.com)). ISD is an enterprise technology management consulting firm specializing in Enterprise Resource Planning (ERP), Enterprise Content Management (ECM) and Geographic Information Systems (GIS) strategic planning, acquisition and implementation.

