

# **STRATEGIC NEGOTIATION**

## **A Breakthrough 4-Step Process for Effective Business Negotiation**

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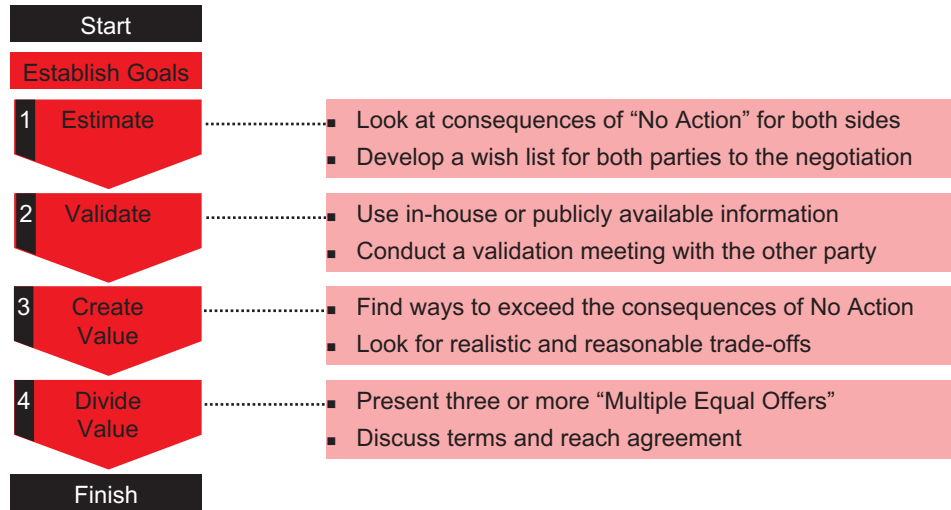
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**MAIN IDEA**

Negotiating effectively isn't really an art. Instead, it is a science or a process that can and should be systemized because:

- Deals these days are becoming far more complex than in earlier times.
- More professional buyers are in the marketplace now and these buyers are trained to see negotiation as a process.
- Few firms think long-term which means their competitive behavior is becoming increasingly irrational.
- There is much more internal negotiation going on now within companies than previously occurred.

As a result, a formal four-step strategic negotiation process has been developed which will take the guesswork out of negotiating and enable you to blueprint every negotiation. This strategic negotiation process consist of four steps and one important but often neglected preliminary activity:



To become a world-class negotiator, follow this template for each and every negotiation you participate in.

**Preliminary – Establish Goals** . . . . . Page 2

Before you attempt to negotiate anything, stop and quantify exactly what you're attempting to accomplish. Think about what you want to achieve before you start determining how to go about achieving it to stay headed in the right direction.

**Step #1 – Estimate** . . . . . Page 3

To prepare to negotiate, estimate two factors:

1. The consequences (positive and negative) of failing to reach an agreement – for both sides.
2. Your wish list – what you'd be prepared to give up to get something better.

**Step #2 – Validate** . . . . . Page 4

In this step, you determine the accuracy of the estimates made previously from four different sources:

1. Your own first-hand knowledge.
2. The knowledge of others in your organization.
3. Publicly available data.
4. From the other party themselves in a validation meeting.

**Step #3 – Create Value** . . . . . Page 5

In step #3, you sit down and look at options that will create measurable business value for those on both sides of the current negotiation. This will involve structuring a deal so both you and the other party gain more by moving forward with making a deal than you would by doing nothing. You go beyond win-win to come up with something worthwhile.

**Step #4 – Divide Value** . . . . . Page 6

In this final step, you've come up with three alternatives, all of which are acceptable to you and all of which create value for the other party. You then meet face-to-face with the other party and let them decide which option they would like to move forward with and agree to terms.

**Putting It All Together – An Organization-Wide Negotiation Strategy** . . . . . Pages 7 - 8

Ideally, it's helpful if everyone in the organization is familiar with the same process for structuring and conducting negotiations. If everyone is on the same page, a lot of time can be saved. Work hard to develop an enterprise-wide consensus on how negotiations are to be conducted. This will get everyone focused on the key issues rather than struggling to understand what's going on.

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