



Five Top Tips for Project/Program Team Negotiations

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When we consider negotiations we often think about discrete issues that occur and need to be resolved and put behind us. However, frequently we are members of a project or program team that is responsible for delivering a set of objectives.

Take for example an automotive supplier that has won a major business award with a customer on a new vehicle that starts production in 2-3 years. Over the course of the 2-3 year period between when the business is awarded and the start of production, the supplier and customer will face a myriad of issues covering design content, timing, cost and delivery. A common rule of thumb is that 70% of the cost will be determined in this design phase. But will this pricing ultimately favor the buyer or the seller?

Before I lay out the Top Five Tips for getting the pricing that favors your company's interests, let's consider the key differences between the discrete negotiations and the new business award:

- The new program negotiations will occur over years, while the discrete negotiation usually lasts from minutes to days.
- Both the customer and the supplier involved in the new program negotiations will have multiple personnel involved from different functions within the companies. Oftentimes, individuals will rotate in and out of the project due to position or responsibility changes, phase of the program development, etc.
- Functional objectives will conflict due to each team coming from different functions within their company.
- Differing approaches to negotiations by all the individuals involved in the process.
- The negotiations will occur face-to-face, via email and on the phone.

Whether you are on the buyer or seller side of program team negotiations, following are the Top Five Tips:

1. **Have the better structured approach, one that weaves negotiation strategy with good program management processes.** For example, does the other side's program management methodology create gateways that can be used to your advantage as the negotiation deadline nears?
2. **Have a clearly defined scope of work that identifies yours and the other team's roles and responsibilities for the program/project.** A good scope of work that has been agreed to by both parties can be used as objective criteria to help resolve (and prevent) many minor issues.
3. **Understand the key interests and measurements of your team and the other team.** Remember, the best time to confirm the other party's interests are when there are no major issues on the table.
4. **Identify a team member to be responsible for negotiation issues.** We strongly recommend one individual on the team be responsible for commercial issues and have the ability to involve others as needed.
5. **Have frequent internal team meetings to reinforce and review your team's objectives and key metrics.** You want to be better organized than the other party at every step of the process.

In addition to these Tips, remember the keys to any successful negotiation are Power, Preparation and Aspiration. Since Preparation is key to improving Power and Aspiration, always take the time to Prepare.

Want to learn more? Click here for details on APD's *Negotiations for Program Teams* Training Course on March 8, 2012.

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