



In this episode of Procurement Zen, we will finalize views on the negotiation playbook. Let's go.

Are you looking to up your negotiation and procurement skills? You're in the right place. Welcome to Procurement Zen, with your host, Phil Kowalski.

All right. Here we are again with episode number two of Procurement Zen, and we have the second part of our views on the very useful tool of the negotiation playbook. So, in the last episode, we talked about the kickoff, researching general supplier information, and the before a negotiation phase. And we noted down timelines, project backgrounds, and I already gave you some examples on how to use the negotiation playbook.

In this episode, we will conclude our review of the negotiation playbook with covering the sections during negotiation and after negotiation. So, as mentioned in the last episode, you can download the negotiation playbook as an editable document from the show notes to this episode, and you can find them at ProcurementZen/2 where two is the number 2 for this episode. And you can always, of course, subscribe to our podcast on iTunes or your favorite podcast platform. And you will find the first part of this two part introductory session at ProcurementZen.com/1 where one is the number 1. So without further ado, let's dive right in.

So, the during negotiation section, and that's actually a section in the negotiation playbook that covers a lot of questions that are relevant to actually executing negotiations. And it contains actually three chapters, and these are the goals, script, and negotiation itself. So let's have a look at what possibly is the most important part of the whole tool: your goals.

Chapter four, The Goals. Ah, you know, goal-finding. I really love goals, but even after several years in procurement, it still surprises me that a lot of my colleagues and a lot of people do not really have clear goals when going into a negotiation. And that really is a surprise. Set your goals and aim for them. Sometimes it feels a little bit more like, "Let's see what we get from there," which, from what I can see, is really the worst possible approach. So, the question in this area work more as a matrix, and you can clearly see this when you download the negotiation playbook I have prepared for you. Again, that's available at ProcurementZen.com/2. And you have certain criteria and a set of questions you might want to answer for any of the criteria. And these questions are actually: what are our own negotiation goals, and what are my possible negotiation arguments, and what are possible arguments of the supplier, and what is the least acceptable outcome, what is a plan B or an alternative to awarding this specific supplier. For example, is there another supplier, or do we need this one? Is there a monopoly, or how does it work out?

And this criteria that you should evaluate for finding the goals and answering the aforementioned questions are really prizing, for example. This could be an hourly prize, it could be an item prize, or if you're working partnership contracts, it could be a revenue share with some royalties. Also, you find here topics about quality, what quality criteria or KPI, key performance indicators, does the supplier have to meet by all means from your point of view. Who and what is best in class? Then looking at services. I come from a service procurement background, services. If we're ordering a service, do we have something like an SLA? SLA here stands for service level agreement, that clearly defines what is in scope, what is acceptable, and what not. And answers also other questions, so does the supplier deliver



on time and in quality as expected, for example, when we're talking about parts. Customer satisfaction, often overlooked and often ignored as being too fluffy, but a very important question to answer from my point of view. What is our expectation, our goal here in regards to customer satisfaction?

So I would, for example, suggest to do regular surveys with questions that have been aligned with the supplier to measure how satisfied we as a customer, as a buying organization, we really are. And you could also ask for improvement measures in this area to be suggested by the supplier. So I have done in the past contracts where we say we aim for continuous improvement, and we urge you and we want your commitment to, for example, just deliver two customer accepted improvement measures per contract year. This is something that's a deliverable we expect as a customer. Really helps, also, really get best in class services for example.

So in general, all these items can be accumulated into, let's say, an overall delivery KPI that then also could be used for a potential penalty or bonus/minus regulation if you want some. So one word of caution, and that's quite important, and it comes from a lot of discussions I have had internally with my demand owners and my colleagues. One word of caution really in regard to the minus part of such a regulation. From my experience, this serves more as a purpose of motivating the supplier to perform good and to receive the full revenue they have forecasted internally. A minus regulation can never be, and will never be, and indemnification for any lost we might have experienced, because then it really has to be at a level of, let's say, usually like 20, 30, 40% minus of what you agreed upon, and no supplier ever will go with a regulation like this.

Of course you could also extend this set of KPIs and criterias for your goals to your liking, so if there are some things that are quite important to your organization or to your approach here, to your negotiations, then add them into that negotiation playbook and try to bring them in into the contract, negotiate them. That's actually what you're hired for as a buyer and procurement professional, I think.

However, one thing to say is I find the questions that go along each criteria like goals, arguments, etc., as I mentioned them above, are really crucial, so I try really to answer them all. This, of course, involves a lot of brainstorming. You do not really know for sure what your supplier's goal is, you must assume them. But I still think it really makes sense to brainstorm about them, to think about them and to discuss them so that at least you have some ideas what it could be instead of being totally in a black box and then being surprised at the end.

So, that is the chapter about goals. And the next one is also quite important. It's chapter of the script, it's chapter five, how do we script our negotiations. This next session or section is kind of theoretical because it covers the phases as we want to go through. Quite important, this does really not mean that they will exactly happen in this order or exactly like this. Actually, from my experience, there are always some deviations, always something unexpected that's happening. But nevertheless, again, it makes sense to think about them and to give some kind of a good guideline, or you may call it an agenda, that will help you not to forget important parts. Because when negotiations really start to become heated and more intense, and so sometimes even experienced procurement pros try to ... not try to, but tend to forget things. And if you have scripted them before, you at least have a little bit of a reminder so to say that helps you stick to the major points so to say.



By the way, when we're talking about agenda, which I mentioned before here, creating and sending an agenda before a negotiation is really a very good practice or a very good approach overall. If you'd like to sign up to the Procurement Zen VIP Club on ProcurementZen.com/2, again, that is two for the episode, number 2, to get some tutorial on this as I have a nice little resource in my resources library that I exclusively share with my VIP Club members.

So, let's just get to the points that are listed in this part of the negotiation playbook. At the top, you will find a suggestion of what roles you might want to establish. So these are, for example, the negotiation lead, that's usually you, the professional buyer, the procurement pro; negotiation observer; and also a negotiation summarizer. Another approach that has worked out very well for me in the past, and that you might like to use, is a more classical split for negotiation roles such as the doer, the pusher, and the negotiator. So, besides the roles, you might want to note down a few key words that summarize what this role is about. And if you share this negotiation playbook with your colleagues and your negotiation team, it makes absolutely sense to have some reminders what each role means and what not.

So, very important here, maybe you want to do a briefing and a line on the roles with your team partners, and it's not a guarantee that it always works out, but at least everyone is informed what you think or what has been aligned on and you think what the role is. And when we come to the after section of the negotiation playbook later in this episode, that's a good reference point to see if it worked out, if everyone stuck to their roles, and what could eventually be improved next time.

Following this comes an area that is quite generic and called or labeled phase one to phase five. And this is actually really the core of the module, and replace in the negotiation playbook, when you use it, replace these generic labels with the topics you might want to address, you might want to discuss, and you hopefully have previously submitted, as I told you before, in your agenda. If you want, you can also add a timeframe here, which you can also communicate, like if phase one is about quality and phase two is about pricing, you can say, "Okay, we'd like to spend 40 minutes on quality, and then 60 minutes on pricing," or the other way around, or whatever you could imagine.

That helps really to make the most out of what is often a time-limited slot when it comes to negotiations. Sometimes you really have a day or two in a workshop style where you have enough time, but I also experienced that negotiations are often limited to an hour, 90 minutes, or maybe two hours. And then it's really good to, if discussions, let's say, digress, and feather out and get fluffy, you can just refer back to the agenda that you previously submitted and say, "Can we now get back to the point? Because the next topic is you in 10 minutes, and maybe we are really talking about the last two percent, so if we want to stick to the timeline, we should switch to the next topic," or things like that.

Right after these phases in the negotiation playbook, you'll find a box for opening statement. And this is really where the anchor or the frame is set. And I will cover the concept of anchoring and framing in one of my future episodes, as it is a very powerful psychological approach. And if you want to really dive into this concept, here's a book recommendation for you, and the book I would recommend here, although it's written from a sales perspective, is called "Pitch Anything," and it's written by the amazing author, Oren Klaff. And just leave me a note at podcast@procurementzen if you want to get an in-detailed review in one of the future episodes. As mentioned before, I definitely will cover the concept of anchoring and framing in one of the future episodes, but if you'd like to see my views on what I got from



this sales book, from this specific book, for us as procurement pros, just send me an email or leave a comment on ProcurementZen.com/2, for episode number two, and I will take care of that.

So one very important advice here in regards to the opening statement, getting back to the opening statements, you do not give everything away right from the start. This is a big no-no. This is just an opening statement so that you can make sure that you do not start to list down every argument or every carrot you have. Leave some of them for later phases. But it's always good to have an idea what a good opening statement could be. Brainstorm it together with your colleagues.

So this really covers the scripting part. And you may think that this chapter is not very comprehensive, and looking at it from a document point of view, you're correct. But as negotiations are usually quite dynamic, I think it is really a solid baseline to build upon, and it would be a complete waste of time to try to figure out every possible turn your negotiation could take. Yeah, so do not expect this to be the end-all or be-all solution for the negotiation, because this is really an expectation that is nearly never met. But it gives you a good roadmap, so to say, which you can follow, and again, if you use that as an agenda, you can always refer to it also when negotiating with your counterparts.

Okay, so the next chapter, what a surprise, is called negotiation, chapter six is negotiation. And this very part, which is actually the last chapter in the section of the during negotiation, is some kind of nucleus or core of the whole document. And you know, the funny point here is the leading negotiator usually does not fill this out. In the best case, you have someone with you, a kind of note-taker or it could be a moderator, someone that is an experienced negotiator, but has the role to discover things and note down those discoveries. So, what actually can be discovered here?

Well, this chapter of the negotiation playbook is again structured in several areas. And these areas are the guiding lights of goals; the signals; offers; supplier questions and open topics; negotiation results, also works as a status kind of report of the negotiation that's not yet finished within one meeting or one session; contractual parameters; and then next step and future vision or outlook, so to say. So, let's go through these points one by one.

The whole chapter is actually mostly split up into two columns. And the one column is for our negotiation part, whereas the other one is for our supplier, our counterpart. So, first there are our hidden guiding lights and strategic goals. And having them written down, as mentioned in episode one, is very useful. If discussions heat up, this is the place where you can focus again, where you can have a look at just one view of your goals and guiding principles usually really helps a lot to get back on track if you have been distracted by some kind of provocation or some kind of embarrassing statements or anything. Just take a look if you feel it gets heated and you feel some kind of anger, which sometimes really happens, rising. Have a look, focus again, and get back on track.

So, on the other hand, the right-hand side, you have the supplier's guiding principles and strategic goals. And you may ask your supplier actually what their goals are. And the question mentioned in chapter one, that you sent them up front, that you ask your supplier, could be a good reference to determine their goals. Just remember, this is not carved in stone, and it happens from time to time that during discussions and negotiations, you discover that the goals you assumed are not the real goals. So feel free to adjust and overwrite them here. Again, this is a tool, and it's not like the Bible or anything.



So, the next area in this chapter are signals. If you want it or not, I think it's an eternal truth that everyone is constantly sending signals on a subconscious level. You cannot not communicate, that's a very famous proverb. And that's simply unavoidable, sending signals. So this area of the chapter in the negotiation playbook is really living and breathing, just write them down once you discover them. Or even better, as mentioned before, let them write down by your note-taker. So, make sure that you always have those inside because they may help you to get where you want to be. Sometimes they are really slight and really small, but these are maybe really the milestones in a negotiation or the moments in a negotiation where you really can jump in and prove your value, so to say. So, classical signals are side sentences or something similar. For example, just recently I asked for a lower rate per man day from a service provider, and they rejected it right away. But only two sentences later, they told me that if they theoretically would agree, we would need an updated offer. That, my friends, was a clear signal that at least some movement and some decrease in price is possible. My counterpart obviously was already thinking about a lower price and what the administrative process around it was. It was only small sentence, but really, these are the signals you're looking for.

Of course, these signals, similar to our goals, is something that you do not want to project in a meeting, or that you do not want to share with your supplier or your counterpart. So this is really confidential data. You note it down for yourself. You use it right away or maybe later on and don't share it, that's quite important.

So, the next area is offers, and our verbal offers, and of course also the verbal offers from your suppliers. And here you can be very open. If they offer you something during the negotiation, simply pause for a moment and let your note-taker write it down. Or if you don't have a note-taker, write it down yourself. I usually do this when you say, "Okay, so if we do x, y, and z, if we commit to ordering over 100K immediately, you say that we could get down to a 10% price discount, is that correct? Let me just write that down." And there, if it's written, it is something like you nailed it down. Also write down your own offers. Does that sound stupid? Yes, maybe, but I really don't think so. Because when suppliers start to interpret your offers, you can refer back to your point of view and let them speak out and then say something like, "Just a moment. What I said was x, y, z." And then refer to what you have written down.

And this also follows the concept of framing and anchoring. They try to frame you from their point of view. And again, we will cover the concept of framing and anchoring in a future episode, but one thing that is also mentioned in the book "Pitch Anything," by Oren Klaff and I also discovered in my own negotiations is frames and anchors do not live side-by-side. One frame eats the other, or one anchor eats the other. So, it's quite important to have this, let's say, this psychological game going on. I say something, they reframe it from their point of view, and I have to, and it's now very offensive wording, but I have to destroy their frame and to establish my own frame again, it's quite important.

The next area are questions that your supplier will ask you, and this can also be understood as some kind of open topics list. Write them down even if you can't answer them or are not willing to do it right away, but you should write them down. You could also note down your answers or any kind of task that arises from there. It also helps you to summarize a negotiation status and results afterwards, both internally and also to your counterparts. By the way, for important negotiations, I always try to send meeting minutes afterwards. And this is an additional chance to share my point of view, again, my frame, my anchor, with the supplier afterwards. And I always prefer to write the meeting minutes



because I see this as a clear task on my side. It has, again, as I mentioned, a nice side effect that I could also rephrase this in my interpretation of the topics discussed. Again, framing and anchoring, having a future episode on that, promise.

Next area is the very important negotiation results and status. This fixes what has already been agreed upon. And if you write the minutes, this gets carved in stone, so to say. So in future discussion rounds, you can refer back to them. And if they get questioned, once again, by your supplier, which is something that they usually will do, you can say something like, "We already agreed on that on blah, blah, blah, and please refer back to the meeting minutes point two that I sent to you on December 22nd." In addition to that, that is actually next area where you note down ... sorry, the next area is where you note down also contractual parameters. So this could be stuff like what type of contract are the parties aiming for. Often people say things like, "Hey, that's obvious what we're aiming for." But when you dive into those negotiations, you will be surprised how different views can be from time to time. Is there really works contract and service contract, what is it what we're talking about.

So in this area, I also note down general parameters like contract duration or any kind of commitment, as well as important legal topics such as liabilities, usage rights, intellectual property rights, etc. And you may not have the lead in the negotiation for these topics, but from my experience, it's always a good approach to write those down.

If in the negotiation, you have topics that you're leading with, you can still refer back to those notes with statements like, "We initially want to do a two-year contract, but as per your request, we have agreed to a three-year agreement. And now you need to give me something in return for that." So that's also opening the chance to request something back. Never ever give something away for free. Please, do not do this because your counterpart usually also doesn't do this, also every one sells themselves as being very generous.

So the final area of this chapter is the vision or the outlook into the future, and sometimes you are only mandated to a certain extent and cannot promise everything for the future. But this is a place where you note down this type of vision, so to say. For example, I often use this to say, "If you can agree to my payment terms, although they are not your standard, we will consider you in future biddings." That is not a fixed commitment, but a future promise I could easily give away. It does not guarantee anything, but opens a window of opportunity that might come in hand as a negotiation argument for later on.

So this concludes, actually, the during negotiation section of the negotiation playbook. And especially the notes and topics noted down here were, let's say, quite dynamic. They get adjusted, overwritten, etc., etc. all the time, as long as the negotiation is ongoing and not yet finalized.

So, this leads us to the last section of the negotiation playbook, which is the after-negotiation section. And now we turn to a section that happens really after we have discussions. And this is more of an internal part. So, why should you do anything here? Well, the reason is pretty much the same as I told you in episode number one, that doing things prior ... how can I say that? The reasoning here is the same because if you write, you say, "Remember that?" and it sounds a little bit stupid. But from my point of view, negotiations is an always ongoing circle of things, and it's quite dynamic. And I can surely say that after the negotiation is really before the next the negotiation. And this is especially true if in



that specific round, you did not come to a final result or a final conclusion. So, in this last section, we actually have two chapters, and those are: evaluation and lessons learned.

So let's start with the evaluation part, which is actually chapter seven. So this part is quite important, although, from the get-go, it might not look like it. It's structured in two areas: execution and findings. But before we dive deeper into those two areas, there's some general info that is always useful to be written down. So, if you have come to the status of awarding, do yourself a favor and write a few sentences, who won it and why. This may become crucial also if your management asks you later on why you favor a certain decision. My experience shows that under a total cost of ownership perspective, it's not only the price that determines the awarding, so it may not be so obvious anymore if you get asked three months later. So, that's quite useful to write this kind of stuff down.

And this brings me to another point. Usually procurement professionals have more than one project going on. And this type of documentation of who and why also helps later on in administrative tasks like supply evaluation. You then simply look up what went good, what didn't, etc., and you can simply copy and paste for supply evaluation. For the same reason, I also write down if any supplier has been excluded after a certain milestone. Let me give you just a short example. Imagine that we have three suppliers on the short list for a big seven-figure service project we'd like to award, and after the first round of negotiations, you come to the conclusion that supplier three simply doesn't get what you want, and they do not fulfill crucial awarding criteria and so on. This may be the time to exclude them and simply write down, again, who it was and why they were excluded. Again, also very useful in giving the suppliers some feedback.

This helps actually in two ways. The first one is the one that I already mentioned, supply evaluations and feedback and showing improvement opportunities to your suppliers. And the second reason is that with bigger projects, such as described in the example above, I usually do a debriefing with each supplier no matter if they win or not. So, in most cases, they have invested some presales money, sometimes very decent amounts, I would assume. And if we are going to work with that supplier in the future, I find it only fair and a good, let's say, good manner or good approach for the relationship, if I tell them why we didn't went on with them and where they can improve for the next time.

So let's head over from the generic part of this evaluation chapter really to the procurement part. And the questions here are useful also for an internal debriefing with my peers, and preferably shortly after the negotiation session has ended. So, questions we find here are for example: did we follow our strategy? If yes, what turned out to be useful and could be repurposed in future meetings, maybe with the same supplier on the next negotiation round or with other suppliers? If we didn't come to a final result, where can we utilize stuff we discovered here? What will we do again, and so on, to also stay consistent?

Another topic that is raised here is were there any questions unanswered. So this is closely related to the next steps and actions from the previous chapter. Evaluate here if that open question is still important or not, and sometimes during discussions, certain topics do not really get answered, but nevertheless, we have the feeling that they lost importance. So it's a good milestone to reevaluate if we have a solid foundation for our decisions, if there are any tasks we can skip and so on. So, that's really quite useful.



Next is the question which guiding principles we have announced. And in the last chapter, we talked about our principles and our goals, and have we communicated anything of that. This is also important for negotiations that go over several rounds. So it's a good reference point when it comes to discussions and interpretations. So you can look at it and refer back to it, and, "You know Mr. Sales Rep, we told you in our last meeting that a payment term of 60 days net is a must-have from our side, and we cannot discuss that." And that's such a small thing if that, for example, is quite important for you.

So finally, in the execution section, we once again refer back to the framing and anchoring techniques because we ask if the opening statement was planned. So, why is that important? A good negotiator does not only care for his own needs, but as stupid as it may sound, also for the supplier needs. And oftentimes, discussions start with some small talk such as, "Did you have good travel to the location? How was the weather?" etc. And if you face a competent negotiator on the other side, you may experience that they slightly take over the lead in those smalltalk discussions and try to steer you in a certain direction. Maybe they make the opening statement, and we, you or someone else on the negotiation team, makes an opening statement that was not planned for in the briefing session. So write it down here. As mentioned before, I will post an episode on framing and anchoring in the near future, and we will cover topics like this in much more detail.

So don't get me wrong, this doesn't have to be bad, but it's quite important that you have a look at it. And if it worked out for you and your goals, you may discover new approaches that may also help you in the future, like practice, practice, practice and get used to it, and then reuse it again with that supplier also in other negotiations.

The next area in this chapter is the evaluation. And the first question directly refers to the last one from above. So, what was the effect of that opening statement? The combination of these two questions perfectly serves the purpose that I have just described above. And the next question is then: which assumptions turned out to be right and which ones didn't? And as the whole preparation, especially on your counterpart, is not 100% carved in stone. You work a lot with assumptions, and you usually, at least my experience, do not know everything inside out from the get-go. So this is really the place in the negotiation playbook where you document this. So, this is also the place that you heavily rely on when you prep the playbook for the next negotiation round, in that specific project or maybe with a future negotiation with that same supplier. As said above, a seasoned procurement pro usually has more than one project and topic going on, and here you have documentation where you can look up very briefly in the future what was discussed to get you up to speed in no time really.

So, the next question is about the roles that we have determined. What roles have your teammates played? Did it work out as planned? Or did you have to adjust during the negotiations? No matter if for the better or for the worse.

The next set of questions, three questions actually, are closely related to each other. So, did the behavior and the tactics meet the expectations? Here really is the place for an honest review. So, this also belongs to the next question which is if not, why didn't the behavior and the tactics meet the expectations? That's a core question for inside and findings. So this is really a baseline for our own future improvements. Discover and learn, and lessons learned, what can be improved and work on it. So, you really have to try to improve with every negotiation. Nobody's perfect, but if you don't want to



improve, you're already losing out. So again, if expectations were not met, was the deviation caused by persons or by the balance of power. So, this question also focuses strongly on the question who holds the most power. As indicated in the very first chapter in episode one, which is at ProcurementZen/1, where we qualify the supplier according to power and development potential, most power does not mean that that part automatically wins, and sometimes people simply do not play their power. So, to say, and this is really interesting to see and analyze, what were influencing factors. Again, was it persons or was it power, our persons, their persons.

And the final question in this chapter is really more generic. It's did the strategy work? For this question, I usually apply some kind of rating or feedback, something like this. So something like not at all, partially, or fully, this three set of feedback. And you could also use a traffic light system like red, yellow, green. Or some additional comments, why it worked out or not, are quite useful and very, very valuable here.

So that concludes the chapter on the evaluation. And that leads us to the final chapter in the negotiation playbook which is lessons learned. And that really is the place where we only have three questions or so, maybe these are not even questions, it's like topics that follow more or less the famous start, stop, continue model. So start, stop, continue model is what should we start doing based on the discoveries, especially from the previous chapter; what should we stop doing; and what should we continue doing or even intensify.

So let me give you an example. Imagine a negotiation round in which you, while in the meeting, discover three things. First, your teammates are not 100% clear what their role is and what they should and shouldn't talk about. Second, supplier's decision makers are not at the table. And third, a reference for us as a customer is quite important for the supplier, and we brought this up during the negotiation as an idea. So start doing would be here invite decision makers from the supplier to the next meeting and put some force on that e. g. by saying, "We're getting closer to the end date, and we must find a decision. Please make sure that your financial director will be with us next time to ensure that we can close the discussions on this major topic and come to a conclusion."

Stop doing, based on these three points, is interfering with other teammate's responsibilities, and in the next briefing round, make even clearer who takes care of what, while using the bad example from this round. And this requires some bravery, of course, but again, you can only improve if everybody's willing to learn. And in the end, it's for the better. Let's say we're all doing this on a corporate level, and it's for the better of our corporation that we're working for. And the third thing, continue doing, could be here focus even more on the reference topic and use this maybe as an immediate giveaway in the next negotiation session as this produces some kind of reciprocity.

So, there we have it. That finishes my views and my ideas and examples on the negotiation playbook. And hopefully you found these explanations helpful. And I'm really, really curious how this tool may help you, how you would use it, and how you would adjust it. So take some time, give me some feedback, and I will make sure I will respond to that. You can go to ProcurementZen.com/2, where two is the number 2, to leave a comment there. You can download the show notes and also get access to the document itself, so you can download that and adjust it to your likings. And also let me know if you want a filled out version following a consistent example of it in the comments at ProcurementZen.com/2. And I'll be happy to provide it to you as my highly valued colleagues in procurement. So, by downloading the



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