

NEWDAWN BRIEFING

Covid-19 Emergency Edition

2020

Negotiating during the Covid-19 Pandemic

We all know that the world has changed as a result of the recent Covid-19 pandemic. But have you considered how this has really impacted your customers and suppliers? Many of these businesses will be under enormous pressure to recover the losses accrued over the last few months. Whilst some of this may be genuine, there will be some highly manipulative business activities and profiteering by others as they see a window of opportunity to turn a fast buck through highly dubious and short term tactical behaviours.

One of these activities will be (re-) negotiating contracts for products and services.

Suppose your customer sends you an email saying “As a result of the Covid-19 emergency, we need all our suppliers to reduce their prices by 20% immediately, and extend the payment terms to 180 days”.

Or suppose your supplier said “We have no option but to increase our prices by 20% as a result of price increases in our supply chain. These will come into immediate effect”.

You have little option but to negotiate with them—remotely!

There is a lot at stake—are you and your team ready for this, or are you going to be cleaned out?

The Evolving Negotiation Challenge

- ❖ Face to face negotiations are no longer possible. It will be 100% on-line or e-mail or phone.
- ❖ Many businesses will seek to vary or terminate contract terms that have become impossible – often by e-mail or force-majeure/impossibility of purpose terms. This leads to a negative situation and likely conflict or confrontation position.
- ❖ Growing and significant pressures on businesses to reduce costs whilst keeping their employees and customer safe, shoring-up cash and liquidity, reorienting operations
- ❖ As plans for exiting the lockdown emerge, there is increasing emphasis on re-negotiating contracts on improved terms



In This Issue

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- What should we do now?
- What about Telephone and E-Mail Negotiating?

You have little choice! But, make it the right one.

You can either concede and give value away, or you can negotiate. Face to face negotiations—always the best option—are not possible right now. So you have some options. It will be very tempting to engage in an e-mail exchange with the other party—don't waste your time! You are falling into their trap by playing by their rules. No, you need a plan to negotiate remotely as effectively as possible under the current restrictions. That means negotiating on-line using video conferencing. The evidence is that anything less than this reduces the effectiveness of the negotiations and the quality of the result achieved.

Online negotiation covers the use of real-time negotiations that take place over the Internet using integrated audio and video, chat tools, and application sharing. These offer negotiators and their organisations convenience, speed, and cost savings. It does not cover telephone and e-mail negotiation. **Online negotiation** has become ubiquitous, as it allows us to **negotiate** across the miles cheaply and quickly. Yet **online negotiation** creates special challenges, need careful application (and in some circumstances simply will not be appropriate) and can come at a significant cost.



Two Essential Pre-Conditions

Be Clear on The Aim and Objectives:

- ❖ Long-term goal?
- ❖ Aim of the negotiation?
 - ❖ What is specified?
 - ❖ What is implied?
 - ❖ What freedoms and constraints do we have?
- ❖ Is it clear, simple and understandable?
- ❖ Are all team members clear on their role in supporting these?

These set the tone and style for the negotiation

Never Negotiate Alone:

- ❖ There is too much preparatory work and there are too many calculations, responses, signs, signals and leakages during the negotiation for one person.
- ❖ Single negotiators do not spend enough time in PPR
- ❖ Working with a team allows you to draw upon other perspectives and experiences.
- ❖ Three-person teams take longer to plan and do a better job of negotiating than one or two person teams.

If you want to improve your chances of creating a positive outcome, plan at length, take frequent breaks, slow down the pace of negotiation, and negotiate in teams of at least three.

Emergency Situation Short-Term Guidance

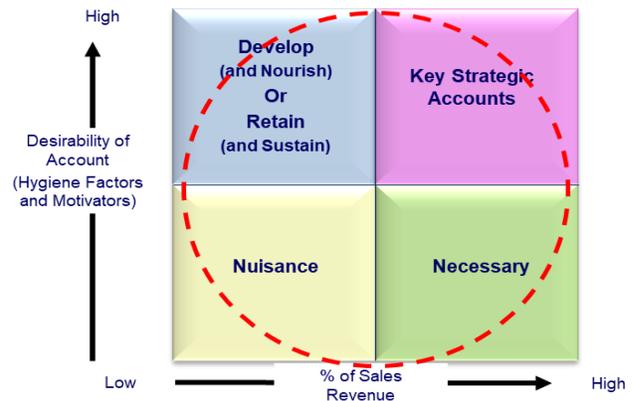
- ❖ Use every opportunity to ensure the Negotiation is On-Line e.g. Zoom, Microsoft Teams etc.
- ❖ Do not squeeze yourself on time—make sure when you send the invite you set expectations on time required. If the agreement is achieved more quickly than planned, then that will be good.
- ❖ Organising your internal team will be a challenge if that internal meeting cannot be face to face because of office closures. The role of PPR (Prepare, Plan and Rehearsal) is even more relevant when using this media to hold complex topics such as negotiation.
- ❖ Please remember that in a "normal" negotiation Body Language is 55% of the message. This is more difficult when not face to face as it is harder to see the reactions when On Line
- ❖ Clear rules and roles for your team are Mission Critical, well before the formal meeting with the supplier starts e.g. "What you must not say; How your team members will join the discussion to ensure control is retained etc "
- ❖ Within the meeting with the supplier some clear orchestration rules to follow:
 - ❖ Establish a very precise opening message with a clear conditioning statement, confidently completed
 - ❖ Ensure you listen carefully to their goals and summarise back to them to check you understood correctly
 - ❖ Check **ALL** assumptions, before starting to make any effort to reach a solution
 - ❖ Engage your team as necessary, but led by your team leader, so no interruptions from your own side
 - ❖ Use your "Free Persuaders" wisely and certainly before any attempt to use "Expensive Persuaders"
 - ❖ "Active Listening" is very important as is watching the other team's reactions—tricky when seeing each of the opposite team on individual thumbnails—we need more eyes!!
 - ❖ Summarise much more frequently in order to retain control and to check no misunderstandings
 - ❖ Record the final summary of agreement, and then issue in writing via E mail **VERY** quickly i.e. before the other party get a chance to change their mind after review with their boss

The Buyer's and the Seller's Perspectives

Category Market Positioning (CMP)



Customer Positioning (CP)



The Buyer's Perspective:

- ❖ Everything in the CMP grid has to be via on-line negotiations.
- ❖ There may be opportunities to leverage the market in the lower quadrants through switching
- ❖ Suppliers may be at risk in all quadrants – check!
- ❖ Have solid Risk Mitigation plans in all quadrants to protect the supply chains for your organisation

The Seller's Perspective:

- ❖ Everything in the CP grid has to be via on-line negotiations.
- ❖ There may be opportunities to leverage the market in the lower quadrants through price rises
- ❖ Significant revenues may be at risk in the two right quadrants – check!
- ❖ Protect relationships in the upper quadrants

What Do We Do NOW?

- ❖ Agree internal rules and principles re On-Line Negotiation with the Senior Management Leadership team
- ❖ Engage with other functions as necessary to “sell” the approach
- ❖ There may well be a need for some rapid On-Line coaching of your own internal team (including cross-functional members)
- ❖ Make sure your business is well prepared before **ANY** substantial negotiations start and if possible practice your own team on some smaller ones—better to learn when only small expenditure/revenue at risk
- ❖ Make sure your own Supply Chain Risk analyses have been looked at again in light of recent weeks—both Financial Risk, and Physical Supply Chain Risk
- ❖ Beware of buyers and suppliers who want to exploit the situation and either:
 - a. Push for unjustified price changes
 - b. Resist justified price changes:
 - a. Suppliers who resist passing on reductions readily available from commodities where prices may have collapsed owing to lack of demand
 - b. Customers who refuse genuine price increases from commodities where prices have risen
 - c. Condition you re how much money they have lost during this emergency period, and how much extra all the protective and distance measures now cost them, that they have to pass on
- ❖ Build a plan to deal with the above scenarios, and ensure all your team speak with one voice, and no reduction in commitment from Senior Management to your stance as long term consequences of “wobbly” support to your position, can be bad for your company’s profitability.
- ❖ Putting this plan together **QUICKLY** is fundamental to success.

Suppose we cannot do a Video Conference Call?

- Telephone is possible, but less effective than a Video Conference call
- Please do not try and negotiate by e-mail. It does not work!

Telephone:

- ❖ Do not hold any substantial negotiation over the phone
- ❖ If you have no choice put yourself in the best possible position:
 - ❖ Quiet room
 - ❖ Land line phone - not mobile
 - ❖ Smile - changes the face muscles and the tone of the voice
 - ❖ Listen intently and have a good script to work to
 - ❖ Ensure you drive the agenda - if they ring you, please call them back when you are in your quiet room with your script ready to go
 - ❖ Summarize regularly - it is easy to misunderstand.

E-Mail:

- ❖ Avoid if at all possible
- ❖ No such thing as negotiation by E-mail - too impersonal
- ❖ Easy to misinterpret the tone in E-mail and get the wrong conclusion
- ❖ Executives suffer from email overload already. So, it’s not surprising that trusting, collaborative email negotiations are not possible.
- ❖ Rapport and chemistry is difficult to gauge. People who negotiate via email tend to hold back private information
- ❖ Good for clarifying perspectives and documenting agreements

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