

NEWDAWN BRIEFING

Just exactly how good was that last deal you negotiated?

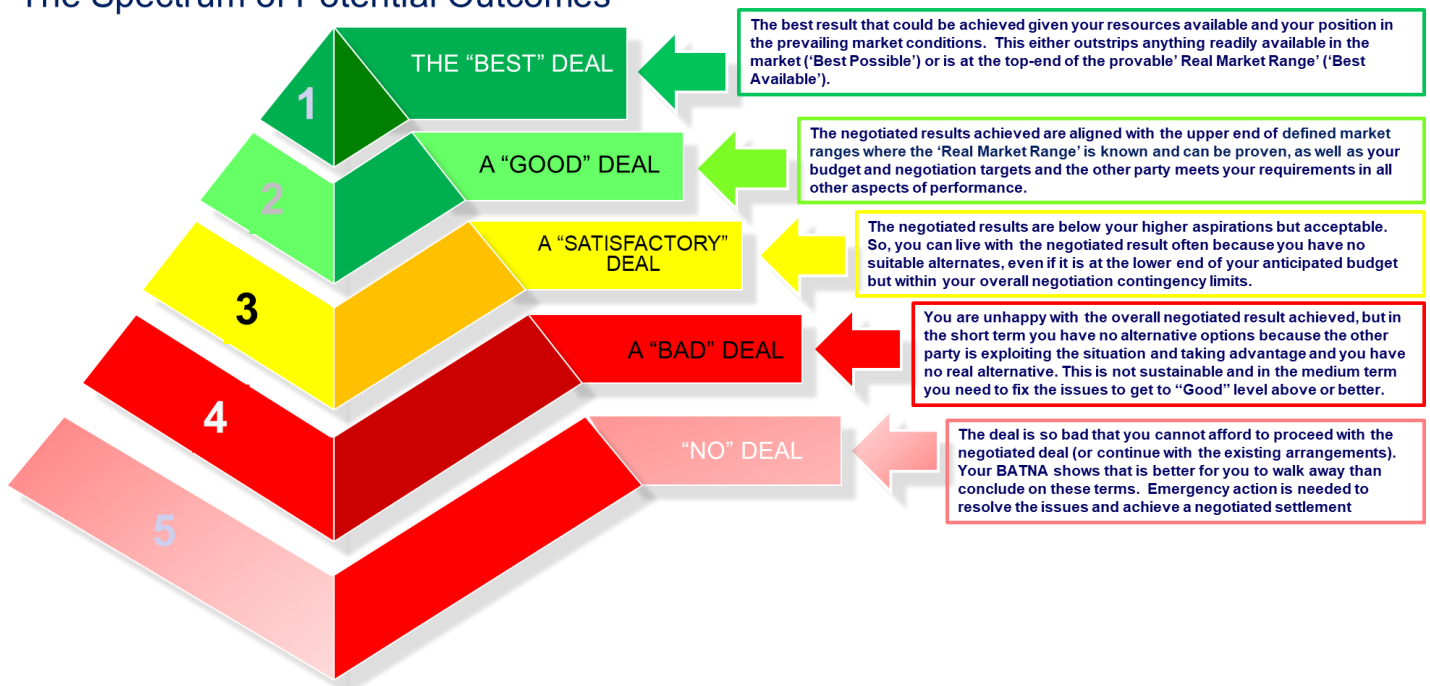
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We all want to feel that we got a good deal after any negotiation. Often we have a gut instinct about the result we got which may be a warm good feeling, or alternatively a niggling doubt that we gave away more than we needed to. Why is this important right now? Because a number of different economic factors are converging including a global slowdown, Brexit and Covid-19 fallout and the potential for tariff wars. Each individually raises serious challenges for businesses. Collectively, they pose a threat to the survival of many businesses. Knowing that your business is getting the 'best deals it can' will be a matter of 'life or death' to some businesses. It is therefore vital that each £, \$ or € is maximised.

The Spectrum of potential outcomes

Exactly what do we mean by a 'Good Deal'. In the interests of clarity, some definitions for the spectrum of possible outcomes is really important:

The Spectrum of Potential Outcomes



In our not inconsiderable experience, 'Best Possible' outcomes are rare and require the investment of considerable time, effort and resources to get these dizzy heights. Most businesses are not able to invest at such a level for more than a very small percentage of their negotiations. Consequently, 'Best Available' and/or 'Good' targets are a more realistic aspiration for the bulk of B2B negotiations.

The more analytical may want to further sub-divide the 'Best Possible' and 'Good' deal definitions with an intermediate level; the 'Best Available' deal! This reflects the difficulty in achieving the 'Best Possible' outcome when competition is fierce and differentiation impossible.

"Best Possible" Deal

A result which outstrips anything readily available in the market because your unique value proposition so motivates the other party that they are prepared to make the extra investment. This plus sensitive relationship building and negotiating skills are so compelling that the other party is well satisfied with the overall deal too.

"Best Available" Deal

The best result achievable in a highly competitive market where differentiation is not possible. This is the best possible result within accepted and defined market ranges where the 'Real Market Range' is known and can be proven. The result achieved is at the top end of that range and your negotiation targets.

What really happens today?

So, how good are the results that your negotiating teams are getting? The sad fact is that most businesses and people are supremely unaware if they got a good deal or not! Unless your business manages an acquisition of the other party (or a competitor involved in similar negotiations with that party), or some kind of irrefutable intelligence such as ‘insider information’ becomes available, you may never know for certain. What is for certain is that the business world is littered with horror stories and shock resulting from gleaning such information after their own deal has been done and they realise that they grossly over-paid or under-valued the opportunity! The reasons for this are:

- Negotiators fail to apply the necessary rigour and discipline to understanding their markets.
- There is a lack of ‘mental inquisitiveness’ to check and compare.
- Negotiators knowingly mislead their employers to believe they have a good deal.
- Negotiators make inaccurate or false assumptions.
- Negotiators are conditioned too effectively by the other party



Without some analysis, most negotiators delude themselves they have at least a ‘good deal’, when they have been conditioned to think that way. When asking those involved in the actual negotiations, there is a natural bias for them to attribute poor results to uncontrollable factors (such as politics or competition or price), and yet credit better results to the negotiation effort they invested! It would be a rare beast that confessed that they had achieved a below-par result because of their own (in)actions!

In fact, what generally happens today is that there is little or no analysis of the negotiation results achieved. “The team did the best they could in the circumstances, and it is what it is” would be a typical response when asked. The business would then move on to the next crisis, apparently unable to find time to review what they might need to do differently to get a better result next time. This self-delusion and the consequent performance gap results in the bar being set lower next time, and this renders the ‘Best’ deals permanently out of range and encourages a culture of mediocrity in negotiation. As a consequence of this, we believe that most negotiations result in a ‘Bad/Satisfactory’ or very occasionally ‘Good’ deal range, whilst the negotiators continue to delude themselves that they have achieved the best possible deal.

Finding the Answers

There is an alternative; and here we utilise the ‘Rigorous Analysis’ option to determine how good your deal really was. After many years of being directly and indirectly involved all manner of B2B negotiations, we have identified the key constituent ingredients for achieving ‘Best’ deals. In essence, robust and well-structured analysis must be conducted early on and, acting on the conclusions of this and utilising sophisticated persuasion methods, they must be applied within the framework of a rigorous and comprehensive negotiation process and plan. These provide the foundation stone for securing the best deals. But it is more than that; it must cover the wider implications of your style and results such that the best deals cover both the commercial outcomes and relationship impact now and in the future for all parties. This recognises that there may be merit in taking some short-term pain for long-term gain – but this approach must be used judiciously as it is too frequently currently used as an excuse for poor results.

We have identified the key criteria and actions that truly define the best deals. When these are applied professionally and with rigour, you can be confident of achieving the best deals. This process covers the preconditions before the negotiation itself takes place, the conduct of the negotiation itself and the analysis of future opportunities that may be available as a direct result of this deal.

In the next issue, we will describe the NewDawn Negotiation Dashboard—the only tool available for determining exactly how good your deal really was...