

(PM.04)
**Top 10 Mistakes Made in
Project Negotiations**

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at the Atlanta Marriott Marquis



TCM - Cost Engineering on My Mind

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Joe Lukas Biography



- **Degree:** BS in Chemical Engineering, 1974
- **University:** Syracuse University
- **Years of Experience:** 35 years
- **Professional Field:** Project Management
- Vice-President *PmCentersUSA*
- Some things you may not know about me:
 - **From Upstate New York originally (Rochester)**
 - **Enjoy hiking & backpacking in Adirondacks**
 - **Scuba Diver (Cozumel, BVI, Florida Keys)**

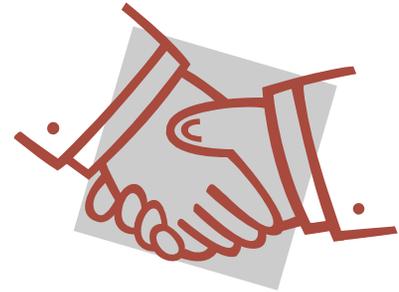


- **Objective:** improve your negotiating skills
- **Topics:**
 - #1: Recommended procedure to follow for preparing and conducting a negotiation
 - #2: Top 10 mistakes made in negotiations, as well as techniques that can be used to avoid them

What IS Negotiation?



- Negotiation is a means of getting what you want from another party
- Ideal = Principled Negotiation:
 - Try to understand the position of the other side
 - Openly work together to problem solve and make decisions based on merit
 - Reach a mutually acceptable agreement



* Fisher, R., and Ury, W. (1991) *Getting to Yes – Negotiating Agreement Without Giving In*. Penguin Books: New York.



- Cost/Schedule Professionals, Estimators and Project Managers are negotiators
- Over the course of a project, these people engage in many negotiations:
 - Scope
 - Staffing
 - Budget and Schedule
 - Materials & Services
 - Change Orders





**If you're gonna play the game,
you've got to play it right!**

- Know when to hold 'em,
- Know when to fold 'em,
- Know when to walk away,
- Know when to run!





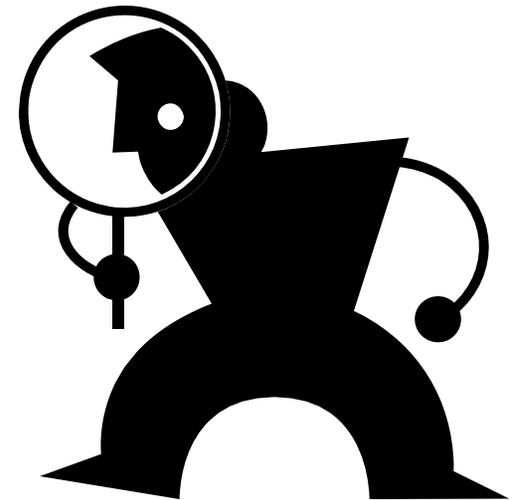
- Pre-Meeting Planning
- Meeting
- Post-Meeting



- Planning is the **cornerstone** of effective negotiations!
- Pre-meeting Planning has three dimensions:
 - **Strategic Planning** – addresses the goals for the negotiation
 - **Administrative Planning** – deals with managing pre-meeting activities
 - **Tactical Planning** – determines the approach and techniques to use to get the best possible results

Strategic Planning

- Based on **factual** information
- Need to learn opponent's needs and goals by studying their business
- Financial analysis = **critical**



Strategic Planning

- Key Strategic Planning output is deciding on:
 - Initial Offer
 - Goal for Settlement
 - Walk-Away (No Deal) Point



Administrative Planning

- Answer the 5 “Ws”:
 - Who?
 - What?
 - Where?
 - When?
 - Why?



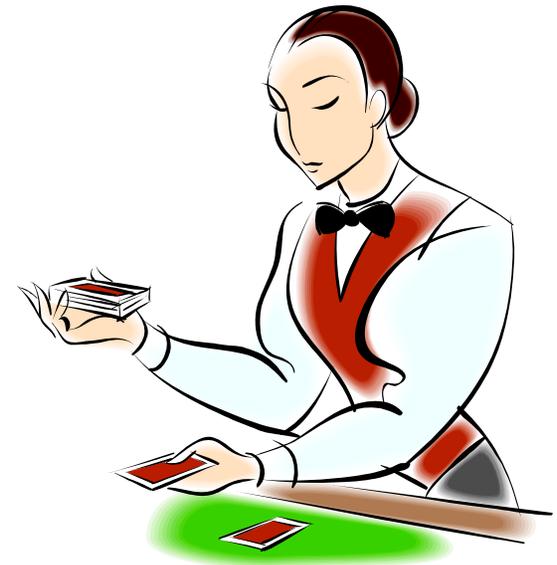


Tactical Planning

- Type of Negotiation
- Possible Tactics, such as:
 - Timing
 - Bluffing
 - Use of Concessions



- Three Phases
- **Phase 1:** Opening (Staking Positions):
 - Rules and Agenda
 - Verbal “fireworks”
 - Identify problems and issues



- **Phase 2: Hard Bargaining:**
 - Discussions and modifications of position
 - Conflict negotiations



- **Phase 3: Closure and Agreement**



- Agreement elaboration (formal contract)
 - NOTE:** More negotiations can occur during this time period!
- Stakeholder acceptance



Topic 2: Ten Negotiating Mistakes

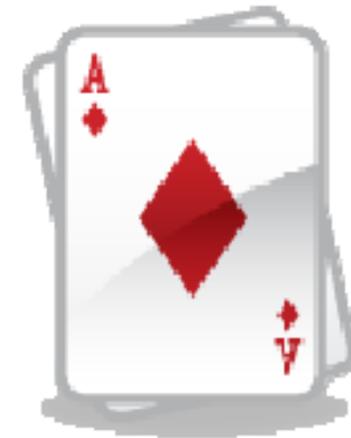


1. Low Aspirations / Weak Negotiating Skills
2. Making 1st Concession and/or Large Concessions
3. Neglecting to Ask Questions
4. Providing Too Much Information
5. Losing Focus During Negotiation





6. Reaching Quick Settlement
7. Making Low Initial Demands
8. Making Assumptions
9. Lacking a Plan
10. Misusing Power



Mistake #1

- Having low aspirations and/or weak negotiating skills





- High aspirations trump low aspirations:
 - High aspiration levels = more successful
 - Skilled negotiators + high aspiration levels = very successful
 - If both parties have high aspirations and are highly skilled, the probability of deadlock is high





- The greater the skill gap between opponents, the more often the skilled negotiator wins
- Unskilled negotiators tend to lose, **except** when they have power and high aspirations





- Making low initial demands





- The skilled negotiator may:
 - Make large initial demands
 - Reveal no initial position
- Making large initial demands **improves** the probability of success





- Making the first concession and/or large concessions





- Avoid making the largest single concession in a negotiation
- Make only small concessions during negotiations
- Avoid making the first compromise
- Make lower/fewer concessions as the deadline approaches

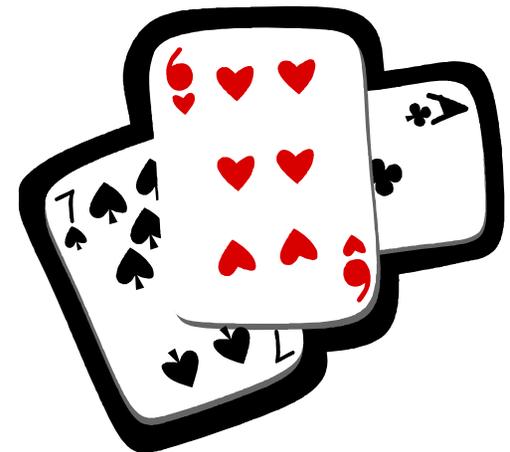




- Neglecting to ask questions



- Ask questions to learn about needs and goals
- **Careful!** Be conversational
- Work questions into the first part of negotiation
- What's the worst thing that can happen?





- Providing too much information

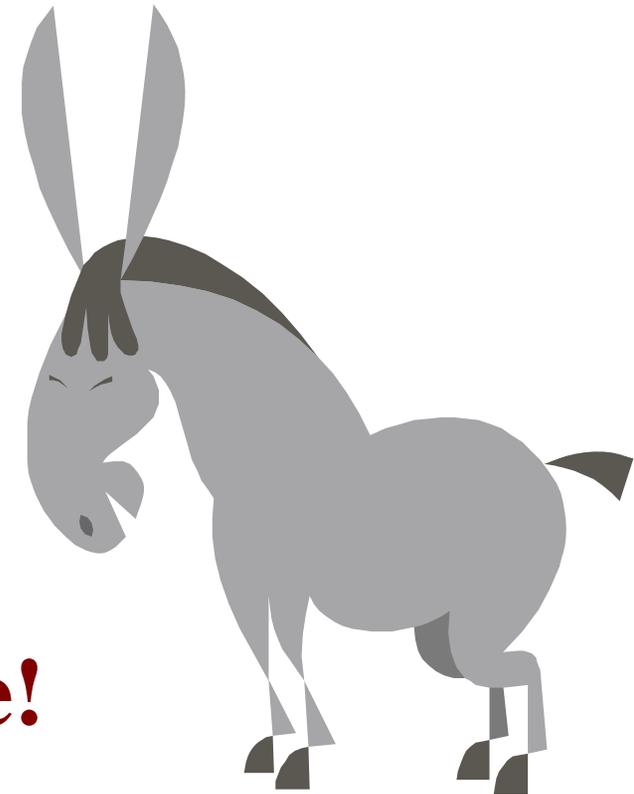




- Don't provide information that can help your opponent
- Lying or providing misinformation is **not** recommended!
- Nothing wrong with not answering questions or keeping a “poker” face



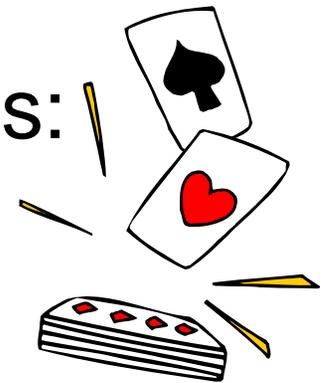
- Making assumptions



Assume: Ass + u + me!



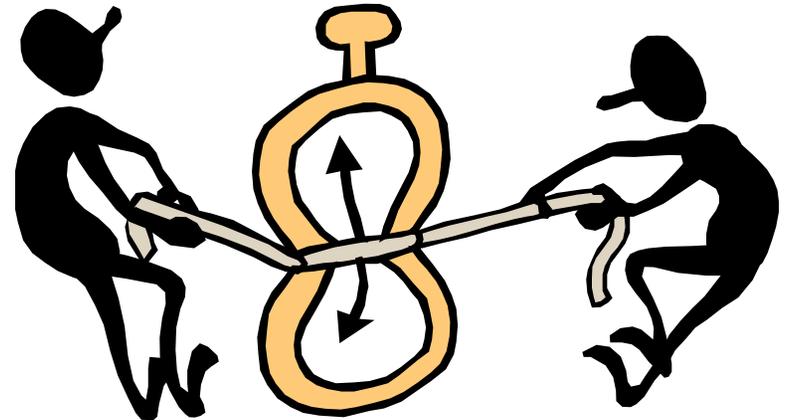
- Treat assumptions with skepticism:
 - Work on the basis that your assumption may be wrong!
- Test assumptions by asking questions:
 - You may not get a response
 - At worst, the person may lie
 - Surprisingly, most times you will get the information needed to determine whether the assumption is valid



- Reaching a quick settlement



- Quick settlements:
 - Usually result in more extreme outcomes
 - Typically favor the skilled negotiator



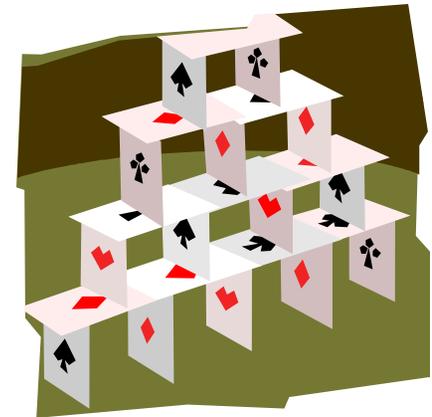
- Deadlines may be used as a pressure tactic to get concessions — skilled negotiators will create deadline even if one doesn't exist

Mistake #8

- Lacking a plan



- Follow the pre-meeting negotiation process:
 - Strategic Planning: Write down you initial offer, goal for settlement, and walk-away (no deal) point
 - Administrative Planning: The 5 W's
 - Tactical Planning: What type of negotiation and what tactics will you use



Mistake #9

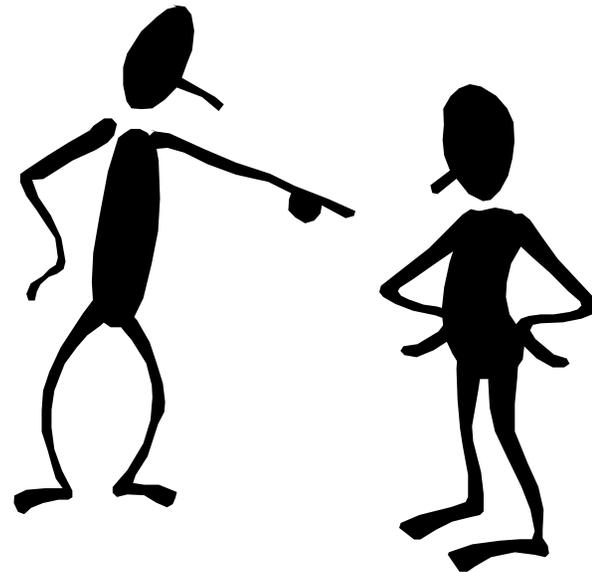
- Losing focus



- If you see yourself about to make a concession which may not be wise, stand up and state you need a short break
- Another good tactic is **silence**, which is uncomfortable for many people



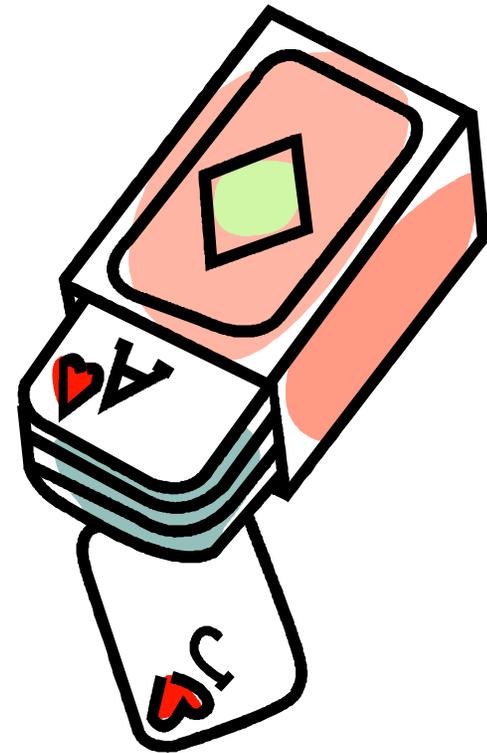
- Misusing power



Sources of Power in Negotiations



- Ability to reward or punish
- Authority
- Knowledge
- Ability to tolerate risk & uncertainty
- Time and patience
- Negotiation skills





- Power may – or may not – be real
- Power can be exerted without action
- Power exists to the extent it's accepted
- Use of power always entails **risk**
- Forcing a decision in your favor may lead to unintended consequences
- Power relationships can change over time





- Good agreements help you reach goals
- Good negotiating skills are essential to obtaining good agreements



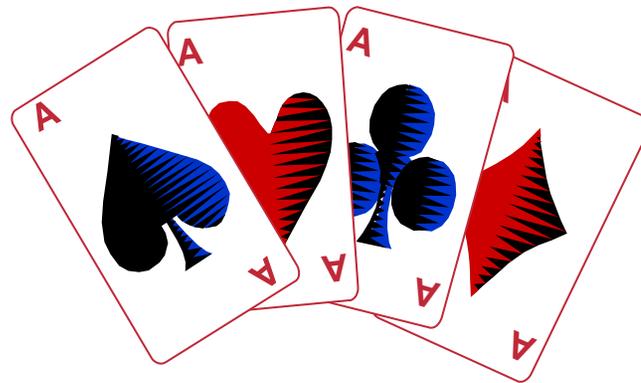
A Successful Negotiator...



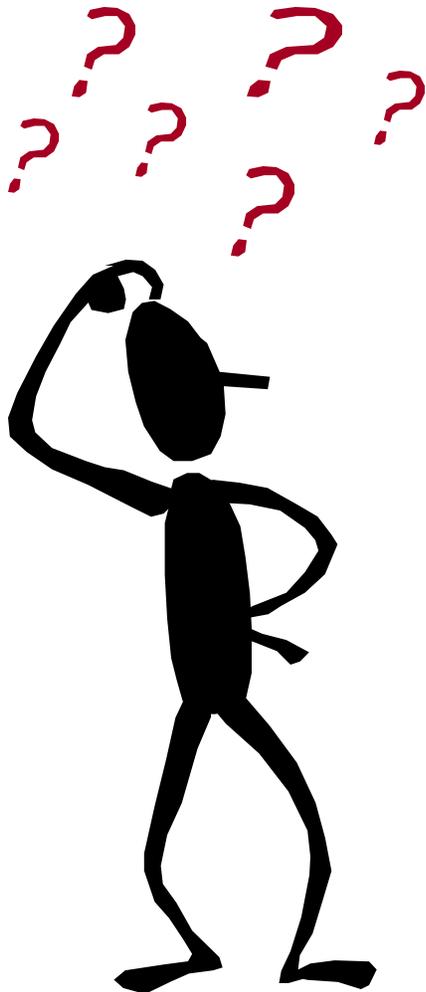
- Has high aspirations
- Makes high initial demands
- Avoids making first concessions
- Concedes slowly & avoids large concessions
- Plans to negotiate
- Uses time and patience



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Questions?



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