Project Management Technique

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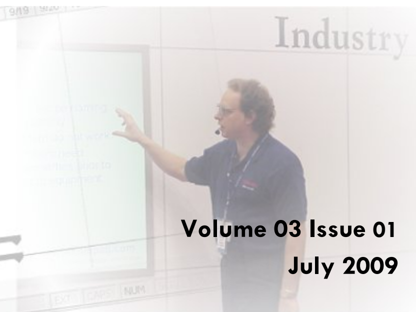

In This Issue:

This Issue

People or Process. This is part one of a two-part article that discusses how organizations have over emphasized process and forgotten about management and leadership when running projects.

Organizational Development The Organizational Development discipline focuses on human and organizational systems. This is a simple introduction to the field.

Book Synopsis: *Strategic Negotiation* by Brian Dietmeyer with Robert Kaplan defines a process for improving results for both parties in a negotiation.

Next Issue

People or Process. Part 2 of the People or process article, covering estimations, technology and troubled projects.

Book Synopsis: *Six Sigma Breakthrough Strategy* by Mikel Harry, Ph.D. and Richard Schroeder provide an overview of the philosophy to familiarize the reader with the concept of Six Sigma.

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People

Projects are the sum of people and processes. For many years, the trend has been to focus on putting the correct processes in place for the project. According to the 2009 Standish Report, however, nearly two-thirds of all projects still miss their goals. A number only slightly improved since 1994. The reason? People are left out of the equation. Managers try to run projects by spreadsheets and checklists and lose track of their projects when they do not tend to the care and feeding of the people. For this reason, the next few issues of this newsletter will focus on the people aspects of projects.

People or Process

Introduction

Process or people, which of these two have the greatest influence over a project's success? Many argue that process is the primary component for project success. They claim that with the right processes, people will execute the project in an appropriate manner. However, a project goes nowhere without people. In fact, projects with the best of processes somehow end up in trouble and need recovery. Assuming projects can be run by making sure the correct processes are in place, an attempt at commoditizing, has been tried at a number of companies the author has worked with and has produced very poor results. The missing component is the Project Manager's ability to manage and lead people.

Many people from technical backgrounds like the surety of ones and zeros and comfort that they bring, people are never that simple they are the continuum between the range and many lie well outside these binary bounds. Processes are ones and zeros, they are applied or not. The way people choose to use them is very subjective.

The Four Lessons Learned

Many people get into project management more through serendipitous methods than by planning. They do not have project management as a life goal. The goal comes after them. They perform well as a business analyst, development lead or quality assurance manager and eventually fall into the mode of running a project. Their native skills at managing people, understanding interdependencies and minding to open tasks makes them eligible to be a Project Manager. It may be due to difficulty with or poor management of a project they are on, but for some reason they put together action plans and sell them to management. They may not even realize it is

BACK FROM RED LECTURE SERIES

The **Back From Red Series** consists of six presentations that focus on looking at ways projects fail and how to avoid the common pitfalls. The series consists of the following topics:

- Recovering Red Projects
- Estimating
- People or Process
- Project Inception
- The Negotiation Process and Recovery
- Methodology

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http://ecaminc.com/index.php/presentationslist their forte or specialization; management comes naturally to them.

Before they have the authority to make the changes, they have to work through others to get their plans implemented. They start by working with bosses, superiors and managers; getting them to sell the ideas to the people who need to implement them. They become very good at writing copious and thorough emails that will eventually be cut-and-pasted into someone else's email to provide the needed direction. They are honing the ever important skills of negotiation, one of the most important and valuable traits for any Project Manager.

In addition, they learn to make very effective use of the team as a tool. They get the team aligned and have them drive the management. Befriending the key project team members, they start to takeover the project and get it moving in the right direction. The management eventually follows.

From this comes a very important lesson. Good teams with bad management can be successful. The team knows the deficiencies in management and, with the help of a proficient leader; they determine ways to cope with it. This becomes rule number one for the up and coming manager—the team knows what needs to be done. Finding the right people and exploiting their knowledge will get to an answer very quickly.

At first this glance, this looks somewhat subversive and covert, which, although it may add a clandestine spirit to the project, is not always healthy. However, the team building techniques in doing this are invaluable. A tight dedicated team, with near gang-member mentality, is one of the most powerful and efficient groups found. It shows what a powerful team can do.

This leads to the manager's second lesson. Mediocre teams with the right inspiration and leadership can do great things. They are only mediocre because they are missing a leader. Looking at each person and leveraging their strengths, instead of using them to fill a slot, is essential. When a person has the wrong skills or training to do a task they will most likely fail. Utilizing their skills correctly benefits the entire team.

To keep in touch with the team and make it stronger, these new managers remain as peers with the team. They are the superior only on paper. Unlike many other Project Managers, they remain in touch with the day-to-day activities. They do not stay in an office or cubicle or court the executives. They are involved with the requirements, architecture, coding and testing of the product. They may even help write functional specifications or test scripts. They lead by example.

Their goal is to keep management apprised. They know appreciation will come with delivery. Executives like seeing tasks completed, but they do tend to forget about a smoothly running project. This is good. The last thing people want is the CIO visiting their desk on a daily basis looking for status. They will overcome the disadvantages from lack of visibility, but not at the cost of neglecting the team.

Their mode of operation is to get into the project, talk to the people, learn what is wrong, create a plan, negotiate the details with the Project Sponsor, Executive Management or the Steering Committee and then disappear into the project, spending only the time needed with senior management. Immersion in the project is by far the best way to get a project functioning.

This leads to the third lesson—stay immersed in the team. By doing this people can see and feel the project move. There is little need for status reports because they are there. They get all sides of an issue and can direct the team. They know the details and intricacies of the project at all times.

The fourth lesson comes automatically—objective data is their friend. Most people know this as data is power. However, power can have a very negative connotation. Data held close and not shared is power in a very negative sense. Shared data is friendly, and provides its holder with respect. When faced with an issue or unanticipated question, fact-based decisions are the key to going the right direction and being trusted to do the right thing.

From this experience, people learn the four key lessons for making a project work:

1. The answers are in the team;
2. A strong team can surmount many problems;
3. Stay involved with the team;
4. Objective data is your friend, providing the key out of any situation.

There is no mention of process here. It is solely the leadership and guidance of a manager.

Process

To look at this from the other side, the process side, the following case study will help. Although it is single case study, it is far from isolated.

A fixed-price project had been running for nearly two years. Its goal was to provide an integration layer between a manufacturing execution system and the equipment on the factory floor. It was being done by a company with years of experience in doing this for hundreds for manufacturing companies. They had a library of tools and processes to help managers and architects with everything from starting to the project to the lessons learned at the end of the project. The Project Manager was seasoned and had numerous projects, some overseas, under his belt.

The project was audited due to concerns about unexplained delays. The auditor's first two tasks were to talk to the people and to look at the some basic project documents.

Conversation with the core team members indicated that the Project Manager was working on issues that were irrelevant to the project and not the roadblocks that were inhibiting their progress. From the core team's standpoint they had issues with the customer missing their deliverable due dates. They had stopped progress on many designs since the customer had not supplied the required interface specifications.

Within a few days of the auditor's arrival there was a steering committee meeting. The Project Manager did not let anyone else from the team attend—just him and his project administrator. The auditor insisted on attending. The meeting never covered the problems on the project, only the progress. There was no mention of missing deliverables. When asked about the schedule, the Project Manager said that his team was working on correcting it. In fact, he said that was the reason for the auditor.

When reviewing the documentation the auditor could not find any change requests. For a project of this complexity and duration, this is extremely odd. When asked, the Project Manager started verbally listing changes. To be courteous the auditor started writing, thinking the list would be small. There were no monetary values provided and the auditor assumed they would be forthcoming. After the fifth or sixth item, the auditor asked for the Change Request Log. The Project Manager informed him there was no formal list because this was an informal process between him and the customer's Project Manager. He assured the auditor the net result of the change requests would have no financial impact, since he was trading scope out for anything added. When the list was complete, the auditor asked for all the offsets—what was removed from scope to cover the items that were added—and their monetary values. The answers became very vague. The Project Manager continued to explain that they had not generated a list since the customer's management would not allow any changes. The two Project Managers, knowing this would result in an unusable system, developed an informal workaround instead of resolving the core problem.

There is no process at fault here. It is the Project Manager being out of touch with his team, lack of knowledge on the project's problems and his choice not to follow the defined process. The issues and resolutions were obvious to the team. However, the Project Manager did not want to be confrontational with the customer. He isolated himself from the team and, hence, the project. The only cost effective solution was to replace the Project Manager.

It is the People

Audits start with the people. They are the project. Everything in the project is derived from their actions or inactions. Rarely can all the people in the project be doing the right thing and the project end up beset with issues. Processes are necessary, but people choose to follow them (or not), people have the skills (or not), people communicate with other people (or not) and people follow direction (or not). It is all about people and whether they have the right qualifications to perform the tasks assigned.

If the right people are on the project, then the project will most likely run okay. Notice two things in that sentence; it says, "okay" and "the right people are on the project." These are two big qualifiers. There are many factors that can help get a project in trouble, but the right people will keep the problems under some level of control. It is important to reiterate Lesson 2: "A strong team can surmount many problems." The team can overcome problems ranging from poor management and poor or misapplied processes.

The project's management is more than the Project Manager. It is the overarching umbrella of management—Project Managers, Executive Management, Steering Committees, Project Sponsors, leads, etc.—and the processes—change management, scope management, time management, use of email, reporting, and so on.

It does little in an audit to ask if there is a process. Instead, monitor the quality of the required output to determine if it meets the needs of the project. The required output (such as change requests, assumption lists, risk registers, mitigation plans, etc.) indicates a problem, but that can be with either management or a poor or misapplied process. If it gets to an audit to figure this out, then an issue with people needs solving. Hence, it always falls back to looking at the people and determining the problem associated with their behavior.

Problems can extend beyond the standard processes. Some common afflictions include expectations set early in the in the project's inception, technology issues causing problems with scope and tasks which have no process that can be defined. Each of these will be covered in more detail below or in Part 2. All of these may be helped with process, but most are focused on the human element.

Inception

Projects start going bad from customer inception. From this point forward, expectations are set, dreams envisioned and compromises negotiated. The process that determines what projects are proposed is usually part of an annual planning process. Individual departments come to planning meetings with their wish list of initiatives, and through a winnowing process, a few select projects move forward. This process completely rejects some ideas, while others are simply postponed. The controlling factors for these decisions are budgets, resources, estimated impact for the business (value) and strategic and tactical goals. With this process brings valuable information on the customer's direction. Information that is valuable to the ensuing projects—the rationale on why some projects make it into the pipeline versus why others do not. The characteristics of the postponed projects help the supporting organization understand the direction of the customer. The solution's design, cost and technology can be better addressed using this information.

For instance, if the long-term goals of a business include a theme to allow their customer visibility into the company's workflow (i.e. the customer can see where their request is in the process), then initial systems that allow customers to update their demographic data should be very robust. The proposal might even include prototyping future technologies. On the other hand, assume the same request for demographic updates when the long-range goals are for outsourcing the entire system. A very simple disposable solution is a better utilization of resources. In so many words, including the project staff in the customer inception process will provide clarity to the roadmap. It provides a dimension to the "what" and "when" by adding the "what after that."

Once the organization agrees on the scope of initiative, it is further honed though corporate negotiation or purchasing groups whose work it is to fit the initiative into budgetary or other resource constraints. Significant changes can be made to the intent of the proposal. This can leave many stakeholders feeling they are getting something very different from what they anticipated. No process can make everyone aware of the changes. Sign-off processes can only educate key stakeholders and they must notify the troops. Like the game of sequentially whispering a message into the next person's ear, the message at the end will be different from how it started.

Herein lies the biggest source of human influence on the project—communication. Looking at this sequence of events it is rife with conditions for communication failure. The ever-changing views and intent of the initiative, the negotiation of the agreements of what will or will not be bid, subsequent change requests and agreements in meetings each add an opportunity for expectations to drift from reality.

* * *

Part 2 of this article will cover the human biasing of estimates, deployment of technology and what happens as projects get in trouble.

People: Organizational Development

Organization Development (OD) as a discipline that treats organizations as systems, much like one might look at a human as a system of interconnecting and dependant parts. Its genesis was in the 1940s. It considers the people, their interactions and internal and external influences on that organization to help the organization determine better ways to run the group. Its importance has grown as businesses become faster paced, positions become more volatile and business goals rapidly change. The philosophy advocates standing back and looking at the group as a holistic unit rather than working with individual people, events or problems.

In most companies, OD is part of the Human Resources (HR) group. It is a top-down, organization-wide effort that focuses on increasing the effectiveness and health of the organization. Practitioners trained in behavioral science use a variety of tools to achieve these goals.

Although there are a variety of responsibilities for an OD practitioner, the following are the more common:

- Focusing the organization on their positive aspects and leveraging what they are doing right, or *appreciative inquiry*;
- Creating an organizational mentality that thrives on and accommodates change;
- Working with individuals and groups to improve their ability to perceive, control and evaluate emotions, or *emotional intelligence*. This stabilizes the group and promotes its health.
- Taking purposeful actions in areas of an organization (*large-scale interventions*), disrupting the status quo and feeding organizational learning through questioning the norm;
- Promoting on-line learning;
- Treating the organization as a system and rather than individual pieces (*systems thinking*);
- Coaching teams and individuals on OD techniques;
- Facilitating the creation of self-managed, self-directed and self-organizing teams.

Grounding an organization in these key principles creates a learning organization. The practitioner's job is to support and nurture the group as opposed to fixing these problems. The organization must fix the problems.

The typical interaction with an organization entails six steps

1. Engaging and establishing the goals;
2. Assessing the organization's needs;
3. Providing feedback to the organization;
4. Creating an action plan;
5. Performing interventions, implementing the results and evaluating their success;
6. Closing the engagement.

However, when dealing with projects, where a set of people come together for short periods of time to build a product, often HR cannot be involved. To add to this, many projects are staffed with temporary contract labor and the project is remote to the HR team. A project being delivered in Asia by a team assembled from people throughout North America with a supplier headquartered in Houston, will have a difficult time getting OD resources placed on the project. For this reason, as part of their leadership development curriculum, Project Managers should be well versed on OD techniques. These techniques are far from the rigid processes that are common in the Project Manager's bag of tricks.

The relatively short duration for most projects makes this even less practical. However, since the goals of OD are long range, this training is crucial to Professional Services groups and Project Management Offices that coordinate the projects. It is the author's opinion that these resources are conspicuously absent in most organizations. Factoring in the current economic situation with the added stress of layoffs, mergers, failures, acquisitions and businesses rebuilding themselves, OD is needed now more than ever.

The Organizational Development Network (ODN) is an organization that promotes OD. They have regional groups in most major cities throughout North America. Their website can be found at: http://www.odnetwork.org.

Book Synopsis

Strategic Negotiation, A Breakthrough 4-Step Process for Effective Business Negotiation, by Brian Dietmeyer, defines and discusses a four-step method for negotiation that focuses on building more value into the item being negotiated. The structure for this process is a blueprint to use in all negotiations. By following the blueprint, the benefits to the buyer and the seller are both increased. This promotes longer term and cooperative arrangements between the customer and the supplier.

Although this book focuses on sales, the techniques and ideas are transferable to many other disciplines. The blueprint is valuable in both selling and running projects. For project management, it is applicable in negotiating contracts and project recovery.

The flow of the book is the defined blueprint process. Each chapter provides a definition of the step and includes multiple examples. The examples are from many disciplines and include non-business examples. They show the diversity of applications for this process.

The chapters end with one or more of the sections *Dealing with Professional Buyers, Best Practices* and *Common Mistake to Avoid* based on their applicability to the subject matter.

Following is a chapter-by-chapter synopsis of the book.

1. Why a Process

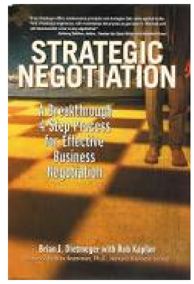
Much like when sales organizations went from individual styles to an organized process, so too does negotiation need to make the transition to a defined process. This is underscored by trends for business relationships becoming more complex, longer-term, involving more professional buyers and the increased consolidation within buyers and sellers. Even worse, many negotiations are becoming irrational—asking for concessions that do not make good business sense for either party. Using a process allows the negotiator to anticipate these changes, and hence, address their effects.

2. The Strategic Negotiation Process

The Strategic Negotiation process centers on two primary tasks that are applied to both the supplier and the buyer:

1. Determining the Consequences of No Agreement;
2. Developing a Wish List of items to add to the agreement.

These two items drive the preparation and strategy of the negotiation. When looking at a negotiation with this data, there is a larger overlap of suitable outcomes—the area where the supplier and customer are pleased with results. This can also be used to increase the value of the agreement by adding more scope. This adds value for both sides since the items added are items both parties want. The value comes from better terms and larger deals. The method, which is very open and cooperative, builds trust



Strategic Negotiation

By Brian Dietmeyer with Robert Kaplan

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and, hence longer-term relationships. Therefore, the goal of the process is to increase this area of agreement as much as possible.

The key is to understand the details of these two items. The Consequences of Failure are the resulting effects from not achieving an agreement. For instance, minimally, a buyer will need to go to another vendor. There is work involved in setting up a new vendor and establishing a relationship. However, it is even more work if the buyer must switch from one supplier, whom he or she has failed to reach agreement with, to a new vendor. For the seller the consequences are obviously the lost sale, but also include lost future revenues, lost reputation or a competitor with increased power.

The Wish List items are items that are outside the negotiation, but can increase the value of the agreement. These items can include the length of the contract, additional sales regions, additional product and the like. They can be used to change the negotiation. For instance, by the seller getting access to more sales regions and increasing their volume, they are able to provide a lower price for their goods. Everyone wins from the agreement's additional with more scope.

The four-step blueprint is defined as:

1. Estimate the impact of no agreement. Be honest and realistic. Estimate the Wish List items.
2. Validate the estimates against other data. Use public sources (company annual reports, internet, etc.), colleagues and, finally, the customer themselves.
3. Compile the data for presentation. Create value by including other items in the negotiation that were not part of the original request.
4. Divide the value, ensuring that it maintains shared value for both the customer and the vendor.

As with any task, prior to starting the process, one must determine the goal of the negotiation. Goals are not one-sided. A goal of "making the sale" is a tactical goal and will not yield good long-term benefits for either side. Increasing the scope of the negotiation to include more items, brings the unit cost down and increases value for everyone in the deal.

3. Establishing a Negotiation Goal

Prior to doing anything, a goal must be defined. When developing the goal, two aspects of the goal must be understood:

1. The goal's influence on the negotiation;
2. The benefit to the long-term relationship.

Determining a goal for a negotiation cannot be a flippant decision declaring the goal as "closing by the end of the quarter." This is not a goal. It is a dangerous tactic since it conditions buyers to hold off to the end of the quarter to drive the price down, turning the negotiation into a one-sided process where only the buyer wins. Also there is nothing beneficial to the long-term relationship.

The goal must increase the mutual value to both parties and promote a long-term relationship. It should increase the size of the pie being divvied up, with each party getting a bigger piece.

Best Practices
Always create more value in the agreement. Communicate this with the customer directly via actions. The goal needs to encompass a mutual gain from a larger deal.

Part Two: The Process

4. Step One: Estimating the Blueprint

Part One: The Consequences of no Agreement Estimation

The two key factors are the Consequences of No Agreement and the Wish List. The first action of Step 1 in the process is to determine what happens to both parties if no agreement is met. This must be an honest unbiased appraisal of the consequences for both sides.

For the buyer the obvious consequences are that they will:

- Do nothing;
- Go to a different supplier;
- Build the product or furnish the service themselves.

Looking at the two options the seller has the most control over (buy or build), the goal is to understand the effect each of those choices will have on the customer. Building their own incurs maintenance costs, additional time and potential failure. It also includes the ability to get exactly what they want. If they choose another vendor, they invite the pluses and minuses of that company. The seller needs to understand those and be able to compare the competitor honestly to their own offering.

For a buyer it is critical to look at all options in unison; not looking at any given offering in isolation. The options need to be addressed as a whole. Focusing on one agreement can detract from the options on alternate agreements. The options must be evaluated for what they offer and alterations suggested, with reasons, to make the agreement suitable.

Make the estimates formal and use a consistent method of recording the data. The critical data are:

1. Consequences of No Agreement;
2. The lack of agreement short-term and long-term:
   a. Hard cost;
   b. Soft cost;
   c. Hard benefit;
   d. Soft benefit.

For example, overhead to maintain staff is a soft cost and lost revenue is a hard cost; improved industry reputation is a soft benefit and increased revenue is a hard benefit.

Knowing the consequences of failure creates a line in the sand that helps remove emotion from the negotiation. One should always accept an offer that is better than their Consequence of No Agreement.

Finally, it must be determined who has the power in the negotiation. Too often, the seller wrongly feels at a disadvantage and places the buyer at an advantage. This results in the seller inappropriately forfeiting a position unnecessarily. This levels the playing field by forcing the seller to analyze the buyer's options and not being affected by his or her biases.

Best Practices
Every deal is different; always develop a fresh list of the consequences. Honestly evaluate both buyer and seller sides. Regardless of whether it is the best deal you think you could make, always take the agreement that is better than your consequences of no agreement.

5. Step One: Estimating the Blueprint

Part Two: The Wish List

There are three rules to remember when working with wish lists:

1. Value=benefit-cost;
2. Never concede, always trade;
3. Never negotiate one thing at a time.

By keeping these rules in mind, the agreement will retain value for both parties. Equitability must be maintained throughout the negotiation. If the buyer wants a lower price, then the seller should ask for something in return, for instance, access to an additional region. This is also illustrates the concept of negotiating with more than one item. By negotiating a single item, someone will win and someone else will lose. This biases the value and the leaves one of the parties with hard feelings. This does not help maintain a long-term relationship.

The Wish List estimates must be completed for both the buyer and the seller. To ensure the Wish List properly reflects true value each item must have a series of attributes assigned to it. These are:

1. The value;
2. The priority to the party;
3. Their weighting;
4. The range of acceptable values.

This data is critical in the negotiation since it provides the information of what might be equal trades.

Best Practices
Do not develop the Wish List in a vacuum consult multiple stakeholders.
Be creative on determining the items to trade.
Find trades outside the current scope of the agreement being negotiated.
Determine the value of items normally given away to make sure the other party understands the value.

6. Step Two: Validating the Estimation

Part One: Gathering Data from Colleagues and Public Sources

There are two places attain validation of the estimates—publicly available data and information directly from the other party. Prior to going to the other party, check publicly accessible sources. This includes people in the organization, other colleagues, libraries and the internet. Both the Consequences of No Agreement and the Wish List items need to be validated and potential new items added.

Best Practices
Consult with people that have worked with the other party.
Search databases, publications, company reports for Wish List items.

7. Step Two: Validating The Estimation

Part Two: Preparing for the Validation Meeting

Prior to validating the estimates with another party one must be prepared. Structure the agenda of the meeting to both get answers and, if being done by the seller, sow seeds of doubt on the competition. Test the estimates by weaving them together with the potential offer: "As you know our base price is $12 and we are local and do not charge for shipping, is the standard shipping still $2 per unit?"

In order to put pressure on suppliers, buyers tend to amplify the advantages of the competition. Presenting contrary data will defuse the approach. A seller should contrast the weaknesses of the competition to their own offering.

Many of the questions do not need answers. As with the prior question, the goal may be to make sure the buyer is considering all aspects of the negotiation. Their goal may be to simply raise doubt about the competition—create fear, uncertainty and doubt (FUD). It is best to best to keep the questions general addressing "the industry" or "the competition." This avoids an accusatory tone. Make sure questions are designed to cover both long- and short-term aspects of an agreement, even if the request is only short-term in nature. The questions should also inject the Wish List items. This starts the process of expanding the value and not surprising the other party during the negotiation.

Best Practices
Include details of the estimates in the questions.
Spread FUD to make the other party aware of the hidden consequences.

8. Step Two: Validating the Estimation

Part Three: Conducting the Validation Meeting

The validation meeting is used to gather more information around the Consequences of No Agreement and the Wish List. It should, however, offer data to set the stage for the negotiation. To create a cooperative atmosphere one needs to start by sharing information. The goal is to:

- Validate both parties Consequences of No Agreement;
- Learn more about the other party's Wish List;
- Help the other party rank and weight their Wish List;
- Share your Wish List;
- Create an atmosphere of trading and increasing the value of the agreement.

When arranging the meeting, let the other party know the subject and determine the appropriate people to attend. The other group may not want people in the meeting that can divulge information. They feel that this will weaken their position in the negotiation. However, having the right people in the conversation can improve the value for all parties.

Ensure the other party understands that this is not a negotiation meeting and that the goal is to have certain classes of questions answered. Provide a list of the type of questions that will be asked. For instance, "What will the negotiation focus on?"

All negotiations (and stages of negotiations) start with each party anchoring their position. Anchors can be valid or invalid. An invalid anchor is a one-sided stance by one party. The "price is too high" in invalid. The other party must rebut these types of anchors by ignoring them and moving on a valid anchor—"we are proposing a price of X, with a volume of Y and a term of Z." The latter provides negotiation points, potential value to both parties and ways to trade the values. Remember, though, that this is a validation step and do not start negotiating, there is not enough information at this point. Therefore, start by keeping multiple items in the conversation, "along with price, I assume that support is important, what do see as valuable in the support?"

Using the data from the prior step, explain their Consequences of No Agreement, validate the Wish List, add new Wish List items and rank the items' importance.

Remember the 80/20 rule—eighty percent listening and twenty percent talking.

Make sure the other party is aware of your desires from the negotiations.

Best Practices
Multiple levels of people from the other party should attend.
Be clear on the meeting goals.
Collect information.
Learn about the other party's view of the Consequences of No Agreement and Wish List.
Anchors should be designed around highlighting the Consequences of No Agreement as well as increasing and clarifying the Wish List.

9. Step Three: Using the Blueprint to Create Value

Prepare options for the upcoming negotiation that improve the deal. Add items to increase the negotiation power and value of the deal for both parties. There may be a requirement to educate the other party on the needs of people that he or she is representing. The knowledge from the preparation meetings will assist in this.

Create multiple equal offers. These offers come from combining the initial request and with items from the Wish List. They are not just additions; they may also include removing restrictions.

An example would be if a seller is trying to displace an incumbent, then they must offset the cost of the buyer switching vendors but also add additional value for BOTH sides. This further offsets the buyer's costs and the seller's concessions to get the business.

Prepare at least three offers—one high-priced with lots of features, another low- priced that meets the requirement and another in the middle. Name the options to reflect their value. Naming them "Option 1," etc. does not embody the value. Names like "Long Term Strategic Alliance" or "Short-Term Flexible" show the value in each. Based on the pre-meeting information, lead with the offer that has the best chance of closing the deal.

The presentation should:

1. Provide an overview of the options;
2. Maintain why these offers are better than others' proposals;
3. Overtly show that data from the validation meeting is being used.

Best Practices
Build custom offers for every deal regardless of how similar they may be.
Address the Consequences of No Agreement directly in the presentation.
Title the options based on value.

10. Step Four: Using The Blueprint to Divide Value

This is the actual negotiation step. It is critical that the attendees properly represent the stakeholders for the item being negotiated. Without the right people, the value of the trades will not be fully appreciated. For instance, buyers focus on price, while CEOs look at how comprehensive the solution is and manufacturing mangers look at the usability and maintainability of the solution. Make sure a representative is present for each benefactor.

Tactic	Approach
Unrealistic anchor tactic	Anchors like "My budget is only…" are irrelevant and should be restated as a set of negotiation points. "I understand price is important, maybe we can agree to a different price if this included region Z."
Consequence of No Agreement tactic	Re-term these in terms of the model. "the competition has a lower price," is met with "yes, however that company does not have international support, they have to add it and it will be a liability."
Trading tactic	When statements are based on single negotiation points move them back to trading items. The price can be dropped if the volume is above a given level.

Table 1 – Negotiation Rebuttal Types.

Start the meeting with an overview of the options. Present the consequences of not coming to an agreement. Show how the proposal meets the needs and surpasses the other options proposed. This highlights the consequences of failing to come to an agreement.

Most likely, the other party will want to hone the details. The Wish List with its prioritization, values and weightings is the key to making changes and not biasing the value to either party.

Categorizing negotiation tactics assists in determining the correct response. Most fall into one of three groups:

1. Unrealistic anchor tactic;
2. Consequence of No Agreement tactic;
3. Trading Tactic.

The approach to handling these is shown in Table 1.

Always keep the negotiation multifaceted. Never let the conversation focus on one point. If the other party wants to anchor on an unrealistic value, do not re-anchor at some opposing point. This starts single-item negotiation. Always draw the negotiation to dealing with multiple items.

When a party shows an interest in an option, but has objections, use the Wish List to fine-tune the option to meet the party's needs while preserving equal value on both sides. Reformulate the pricing during a break, it is best to remove the customer from this step. Doing this in front of the customer will open the negotiation to line-item negotiation—a form of single faceted discussion.

Never agree to an outrageous deal. It must be better than the consequences of no agreement.

Advanced Techniques.

Post agreement negotiation. After an agreement is reached, one party may need to modify the agreement. This should be accommodated by adding in new items from the Wish List.

The parachute option. This is an option that is used only when all else fails, it is usually very different than the primary request and is a last chance option to make the deal.

Conditional Contracts. At times, conditions on the agreement are required due to known volatility in some area of the negotiation, say steel prices.

Impasse. When the negotiation is at an impasse, it is critical to look for the reasons that the person cannot move from their stance. This will normally uncover a base issue where a solution can be met.

Best Practices
Present an overview of all options. Since the options will need to be adjusted, ask to have them ranked. Use the Wish List to create trades. Present the gap in not making an agreement. Respond in an analytical way, using tactic rebuttals as shown in Table 1.

Create a Goal (5 min.)	Meet the request by offering options to offset the revenue decrease.		
Estimate the Blueprint			
Consequence of no Agreement - Seller (5 min.)	Cancelled agreement with no chance of a follow-on agreement. Minimally no follow-on agreement.		
Consequence of no Agreement - Buyer (5 min.)	Will not get a lower price, lose a good vendor and could incur legal fees if breaking contract.		
Power	Seller has slight advantage, mostly due to the contractual obligations.		
Estimate Wish List - Seller (5 min.)	Extend contract for the following year. Access to additional divisions of the buyer's company. Selling new or additional products.		
Estimate Wish List - Buyer (5 min.)	Price decrease. New software (~100 licenses) Introduce seller to new divisions to reduce number of vendors. Extend contract to lock in price.		
Validate (20 min.)			
Internal	None		
Buyer	Call customer and ask about the above assumptions. Cast doubt on moving to the competition.		
Create Value (15 min.)			
Create three options	Existing Relationship with New Added Value	Broader Relationship	Longer, Broader Relationship
	Discount 3% One hundred software licenses $29.95	Discount 5% One hundred software licenses $29.95 Introduction to new region	Discount 8% One hundred software licenses $29.95 Introduction to new region Twelve-month extension to contract.
Divide Value (15 min.)			
Agreement reached	Discount 7% One hundred licenses $25.00 Introduction to new region Six month extension to contract		

Table 2 - Small Negotiation Example Results

<table>
<tr><td>Create a Goal</td><td colspan="4">Create as much joint value as possible.</td></tr>
<tr><td colspan="5">Estimate the Blueprint (2.5-3 hrs.)</td></tr>
<tr><td>Consequence of no Agreement - Seller (30 min.)</td><td colspan="4">Lose $750K in short-term revenue and $2.5M in long-term potential. Will lose $25K in sunk cost.
Bad reputation inside the company.</td></tr>
<tr><td>Consequence of no Agreement - Buyer (2-3 hrs.)</td><td colspan="4">Created questions that need answering. Analyzed competitors by talking with technician that used to work for them. The competitor’s product is less reliable, but does not need customization.
The key points for the buyer are:
• Design elements;
• Delivery and installation;
• Maintenance;
• Throughput;
• Upkeep;
• Terms and conditions.</td></tr>
<tr><td>Power</td><td colspan="4">In all areas, except throughput, the seller is better. That is offset by better reliability. The seller has slight advantage.</td></tr>
<tr><td>Estimate Wish List Seller (30 min)</td><td colspan="4">Build a wish list based on the bulleted items above.</td></tr>
<tr><td>Estimate Wish List Buyer (1.5 hrs.)</td><td colspan="4">Build a wish list based on the bulleted items above.</td></tr>
<tr><td colspan="5">Validate (1 day)</td></tr>
<tr><td>Validation</td><td colspan="4">Call the customer and validate the answers, ask questions and create doubt about the competition.</td></tr>
<tr><td colspan="5">Create Value (1 hr.)</td></tr>
<tr><td rowspan="7">Create three options</td><td>Option</td><td>Short-term with Low Price</td><td>Long-term Strategic Relationship</td><td>Middle Ground</td></tr>
<tr><td>Length of contract (years)</td><td>1</td><td>3</td><td>2</td></tr>
<tr><td>Price per Machine</td><td>$295K</td><td>$250K</td><td>$275K</td></tr>
<tr><td>Number of Machines</td><td>1</td><td>3</td><td>2</td></tr>
<tr><td>Service Contract</td><td>8x5</td><td>24x7</td><td>24x5</td></tr>
<tr><td>Upgrade Discount</td><td>50%</td><td>Free</td><td>75%</td></tr>
<tr><td>Support (hrs.)</td><td>100</td><td>300</td><td>200</td></tr>
<tr><td colspan="5">Divide Value (1 hr.)</td></tr>
<tr><td rowspan="6">Agreement</td><td>Length of contract (years)</td><td colspan="3">3</td></tr>
<tr><td>Price per Machine</td><td colspan="3">$255K</td></tr>
<tr><td>Number of Machines</td><td colspan="3">3</td></tr>
<tr><td>Service Contract</td><td colspan="3">24x5</td></tr>
<tr><td>Upgrade Discount</td><td colspan="3">25%</td></tr>
<tr><td>Support (hrs.)</td><td colspan="3">300 hours</td></tr>
</table>

Table 3 - Complex Negotiation Example Results

Part Three: Applying the Process

11. Putting It All Together: Sample Negotiations

The book provides two examples for using this process—a small ad hoc negotiation and a large complex negotiation.

1. Small Ad Hoc Negotiation:

This example is a post negotiation request to drop the price 5%. The total time to work the blueprint is about seventy minutes. The details are shown in Table 2.

2. Large Complex Negotiation:

This example is of a seller that has been in the sales process for six months. The buyer notifies them that they are on the short-list of two vendors. The final, nearly million dollar proposal, is due in six weeks. The details are shown in Table 3.

12. An Organizational Approach to Negotiation

To implement this process across the organization requires a top down approach. All stakeholders must agree to the approach and be part of its development. The stakeholders are sales, buyer, legal, product management and similar groups based on the company. The primary difference for most organizations is that this is a centralized strategy with a decentralized execution. This makes the process quicker to execute. Trust must be put in the negotiators since they will not require corporate approval for every deal.

Follow these steps:

1. Identify the stakeholders;
2. Train the initial stakeholders;
3. Develop and write-up the negotiation strategy
   a. State the need. For example, there is too much overhead in the current method.
   b. Determine the metrics. This could include reducing the number of discounts or elimination of free items.
   c. Determine the guidelines. Guideline examples are:
      i. Consequences of No Agreement: Agreement with a value of more than $100K needs an additional review.
      ii. Wish List: Eliminate free software.
      iii. Process: All stakeholders will be trained.
4. Distribute the guidelines. Train everyone by dividing the training into logical groups. For instance, start with most valuable customers.
5. Measure the results and adjust the process to meet the needs.

Implementation will bring valuable information to the organization. Make sure to collect the data and maintain a repository of Consequences of No Agreement, Wish List items by client, the multiple offers made and the ones accepted. This data can help in education and references for future agreements.

Analysis:

This book is a wealth of information. It is suggested reading until another book is found that make up for the following weaknesses. There are two deficiencies in this book for a project manager.

1. The book is too focused on the seller's aspects of the negotiation. Although there are discussions of buyers, mainly through example, the book is written from the seller's perspective. A project manager needs to understand of the negotiation process.
2. The concept is based on a buyer-seller agreement. This is good for someone negotiating a contract but does not provide the negotiation tactics needed when the person is the arbitrator or mediator. The latter being the common role of the Project Manager.

The book's techniques work and have been tested by the reviewer in project recoveries.

Resources and Templates