

Expert shares negotiation secrets for small firms

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How can small companies fare better in contract negotiations with big companies?

The Three Rivers Entrepreneur Network got some answers from negotiation expert and former attorney Jeanette Nyden, whose firm, J. Nyden and Co., teaches negotiation skills to small and mid-sized companies.

Small firms have a lot to offer, and their agility, collaborative culture, response speed, mobility and innovation can give them an advantage. "It may feel as though big companies stack the deck against the little guy, and in many ways they do," Nyden said.

"But you don't have to play their game," she said, "because you can change the way you operate by immediately implementing these five steps."

Address the customer's bottom line. "Don't defend your price with references to your profit margin," Nyden said. "Come prepared to demonstrate with facts and figures the ways in which your products or services will increase your client's profitability."

Initiate the bidding. The person who throws out the first number anchors the negotiation. "Even if the number is completely fictitious or ridiculously low, studies show that the negotiations will revolve around that number," Nyden said, noting that the person who waits to counter-offer faces an uphill battle.

"The most successful deals always involve the negotiation of terms and conditions," she said. Be sure you know beforehand what the market will bear, your internal costs and the customer's budget range.

Develop relationships in unusual places. "Many small companies find tremendous benefit in developing internal champions within multinational corporations," Nyden said. "Someone not directly involved in the negotiations, such as an engineer, customer service representative or someone in the marketing department is more likely to provide information that will help you make decisions and counter-offers."

Ask clarifying questions. The most powerful tactic is to ask lots of open-ended, non-judgmental questions that aim to clarify facts or figures.

"Ninety percent of the battle is recognizing the need to understand the other side," Nyden said. Powerful clarifying questions include: Tell me more about _____. How do you see us accomplishing _____? What is your biggest concern with _____?

Actively listen. Many people pay more attention to what they are going to say next than to what the other person is saying now. To improve listening skills:

- Restate exactly what you heard the other person say. This helps both parties clarify what has been said and keeps either from making assumptions about what was said.
- Ask clarifying questions to explore the topic under discussion. These questions will reveal the interests and needs motivating the speaker's decisions.
- Reframe the discussion to reflect your desire to meet those interests and needs. This is your opportunity to address the customer's bottom line.

“Ultimately, the difference between savvy negotiators and the folks who leave scratching their heads,” Nyden said, “is that the successful players have fully mastered and fully embraced this negotiation process.”

Nyden's full presentation is available on the Pacific Northwest National Laboratory's Economic Development Office web site <http://www.pnl.gov/edo/events/negotiation.stm>.

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