

Deals aren't won by skills alone

"If only we could pick up all the money we are spilling in negotiation. It's a huge number, definitely in the tens, if not hundreds of millions."

This month's arresting quotation isn't our traditional choice of one from a great figure of history, literature, business or sport. It's a recent quote from the head of legal at a Global 500 company. It helped to trigger our latest research project and prefaces the related report, which reveals some startling findings.

The project, conducted in conjunction with the International Association of Contract and Commercial Managers, explored the link between the 'maturity' of organisations' negotiating capability and their business success. For example:

Over the past twelve months the net income of the world's 2000 largest companies declined on average by 30.9%. Over that same period those organisations in the top 2000 that had re-engineered their organisational negotiation capabilities enjoyed a net increase in income of 42.5%.

The report is freely available for download at the end of this piece, but here's a little 'Insight insight' from it, just to be going on with.

Great deals aren't won by skills alone. The research showed that too many organisations rely entirely on the skills of their negotiators. Now, we'd be the last people to downplay the essential need for good skills! But the key to success lies in improving all aspects of negotiating. Individual skills are only one of ten critical areas that need to be addressed to produce optimum results. Two of these critical factors are:

The need for a formal negotiation process

Of the organisations examined, 80% had no formal negotiating process. Those organisations that developed and consistently applied an optimised and documented negotiation process gained significant advantage.

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One Global 500 Company reported that the new process gained them 37 million dollars on one deal alone!

The need for cross-organisational collaboration

Getting internal alignment on the negotiation objectives can be a major difficulty, especially in international agreements. Negotiators may need to gain support from many diverse internal stakeholders.

The most effective organisations embed a step – in the sale or acquisition process – to bring those stakeholders together, long before the negotiation begins.

One global organisation demonstrated the value of adopting this approach by reducing the average negotiation cycle time, for complex deals, from between 12 and 18 months to less than 8 weeks.

The problem is that, however dramatic the results might be, developing a standard process isn't easy. The report also reveals the difficulties of gaining acceptance for a fully corporate approach and implementing it, especially when many negotiators see it as unnecessary.

Success requires the same approach as for any organisational change project, starting with someone at board level with the power to drive the change. Even then, you could probably use our help and there's going to be a lot of persuasion required. So perhaps we'll have some thoughts for you on that in next month's issue.

In the meantime, if you're getting ready to grow as the economic climate improves, you need to know your organisation's negotiation maturity. Otherwise, as business activity increases, before you know it you could be "spilling millions" too.

Click here to download [Improving corporate negotiation performance](#).

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