An Accordence White Paper

Successful Internal Negotiations - Supporting the External Deal

By Richard Morse

Negotiators devote significant training and preparation effort to their external negotiations: with customers, suppliers, partners and competitors. Yet in our experience training salespeople, account managers, and regulatory team members we have seen that, often, internal negotiations make or break the external deals. Too often, however, they are short-changed due to emphasis on the external deal.

The critical objective of effective negotiation - and negotiation training - is to derive additional value from the negotiation process for better deals. Companies, managers and individuals must recognize that effective internal negotiation skills enhance the ability for external negotiations to increase business value.

In our practice, we help our clients manage challenging negotiations with prospective partners, with regulatory agencies, and with business adversaries. Our observations support the conclusion that in order to be effective in external negotiations you must develop and nurture internal alignment, support and resources.

Participants in our negotiation training programs consistently rate their internal negotiations more challenging than their external negotiations. Anecdotal evidence indicates this trend is increasing in today's rapidly moving and changing marketplace.

This article highlights several key aspects of successful internal negotiations:

1. There are predictable ramifications to ineffective internal negotiations.
2. Anyone who negotiates externally can avoid these pitfalls through effective internal negotiation.
3. Internal and external negotiations share a few key characteristics.
4. Several specific strategies for internal negotiations will help generate the alignment, resources and support for successful external negotiations.

Why are internal negotiations critical?

Without internally negotiated support and alignment:

- **Resources will not be made available**. How many sales reps in your organization seal an ambitious deal for a customer without checking internal capacity first? For example, an IT salesperson returns to headquarters to announce a deal to supply customized hardware to a regional buyer only to learn, "We won't have the people to customize that equipment for at least 3 months." Whose problem is the resource shortfall?

- **Implementation will falter**. If you've prepared for your external negotiation, you can get your customer to clearly identify her need. You and she may derive a great solution that integrates your capacity. However, after the contract is signed, what are the chances that three of your manufacturing functions will simultaneously develop new templates for your customer? What will the line managers' sense of urgency be if they have not been consulted in the process? Will the solution developed in your customer's conference room be the best solution on the shop floor?

- **Resistance and the risk of sabotage increase**. What account manager wants to announce that in order to cut costs in a new deal with a key provider, she has promised to match the provider's paperwork - a series of triplicate documents run on unfamiliar software? What are the ramifications of your billing department's unwillingness to change? Whose problem is it?

- **Team members will not speak with one voice**. If individual priorities of a regulatory negotiating team have not been aligned prior to sitting down with a federal agency, what are the chances that the team will speak with one voice? Will the strategic goal for the product be clear among competing individual and functional concerns? What are the chances of persuading regulators of your product's intrinsic value and adherence to their standards?

- **If you don't do it right, you are at risk of alienating your internal support base.** You need them. No one does a deal alone - it takes teamwork, solid team planning, and consistent communication. A maverick account manager, happy to operate independently, may be successful for a while, but even a successful maverick needs support when the going gets tough. Who wants to be the one begging for help after months or years of spurning the home base?

Each of these pitfalls can be avoided if the attention and techniques of successful external negotiations are proactively applied to internal negotiations as well. You can combine simple project planning techniques with ongoing internal negotiation to keep your internal support people informed. Give them a summary of the deal, and your estimation of who should be involved, what resources are appropriate and required and a timetable.

Conduct an introductory meeting to introduce people to one another and develop early buy-in. Develop a simple Gantt chart; update it to show progress, early wins and how people relate to the overall progress. Each step of the way can be negotiated. This will build your internal momentum.

Who needs to focus on internal negotiations?

Anyone whose external agreements require internal support for implementation needs to give equal focus to internal negotiations as to external ones.

- Sales, customer service and procurement people who are points of contact for customer, supplier and provider relations.
- Business development people who must implement corporate strategy with sales channels and alliance partners.
- Account managers whose key accounts generate significant revenue and thus impact internal resource allocation.
- Team leaders, particularly those whose cross-functional negotiating teams face external partners or competitors.

How are internal and external negotiations alike?

Both internal and external negotiations are complex, multi-party deals. They involve tangible resources - time, money and people - and intangible resources - trust, honesty and reputation. Further, both involve complex working relationships that are continually evolving. In the external world, yesterday's competitors may be today's customers. Tomorrow they may be partners. Internally, working relationships are just as intertwined, particularly as cross-functional organizations replace traditional, silo-based corporate structures. Yesterday's turf-conscious manager might be tomorrow's critical project ally.

Often, even if the external supplier or partner stays the same, the point of contact - your negotiating counterpart - changes. However, this person often moves up in their organization, increasing the value of a well-developed relationship. In the same way, internal negotiations almost always involve ongoing relationships.

Based in part on this complexity, successful negotiators cannot view the world with a win-lose mentality. The web of relationships requires that traditional, adversarial negotiation be replaced by "interest-based" or "principled" negotiation. Whose interests must be met for a deal to be successful, value-generating and long lasting?

External negotiations require rapid informed decisions, which in turn require proactive internal negotiating so interests are clear. Account managers can no longer afford to consider just the customer's desires; they must balance those desires with internal interests. What if the customer is happy but you are not?

Organizations need a win-win approach both externally and internally to increase and prolong value. For example, biotech scientists can help their business development colleagues "expand the pie" by clearly identifying strategic areas for corporate partnering. The cross-functional team that negotiates with a prospective partner can engage the team from a startup by articulating multiple benefits to the partnership, including internal scientists' interest and resources to devote to the project. In this scenario, the internal and external negotiations should mirror one another to maximize appeal.

What are key strategies for negotiating internally?

The overarching strategy for effective internal negotiations is to communicate, communicate, communicate. Your purpose should be to:

- **Avoid surprising internal partners** with external negotiation outcomes.

- **Enlist internal partners in joint problem solving**, and to help you prepare for external negotiations.

- **Build internal working relationships** that will be necessary to support your external deal.

The more you communicate - and the more ways you communicate - the more people will be involved and invested in your success. Communication cultivates relationships through consistency. Consistency pays off. When you need something out of the ordinary, people will get you what you need and go to bat with you if they trust you and understand your motives.

In order to do this effectively, you must first identify key internal parties. Ask yourself:

- Who is interested in this deal? Who will be affected?
- Whose support will be necessary for implementation?
- Who can torpedo the deal?
- Who will serve as your best ally/coach/sponsor?

Other key strategic questions to answer include: What is the preferred timeline for internal review and approval? How does that match up with the customer's timeline for making a decision? Work backward from the ultimate decision and plan your internal negotiations accordingly. Internal negotiations are about knowing who needs to be available, whose buy-in you need and what needs to happen to get the product out the door.

To know this, you also need to know what needs to be customized. Check in internally before making any promises to a customer. The last thing you need is a customer who is excited for a product that meets his needs perfectly but that cannot be developed and delivered. Once you have enlisted the support of your internal partners, be sure to ask them who else to include in your planning for the external deal. The more complex the deal, the more elaborate your web of internal support must be.

What specific steps can you take to negotiate "inside out" effectively?

The following internal negotiation approaches will help you create the support you need to follow through on your deals.

1. Know the interests of your internal partners and acknowledge potential political

ramifications of your solution.

Think about the components of a deal - potential options for external agreement - from all relevant internal points of view. Put yourself in their shoes. What might their interests be? What are their needs and concerns? Think about the external deal from internal points of view is the first step of a negotiation strategy. It is important to know when you are working across silos, and to recognize the ramifications of doing so

This communication might sound like:

- Good: "As I see it, I think we need to do X."
- Better: What do you think about this situation?"
- Best: "Here's how I believe you might be impacted by this, and what your needs and concerns might be. Do I read the situation correctly? What am I missing?"

2. Communicate and build relationships.

Just as you want to provide solutions to your customer, you want to provide solutions to your internal network. What is the best way to ensure that your solution fits? Ask questions. Consistent intent and action on your part develops your reputation for honesty and integrity; people will support you. Make your intent transparent - no hidden agendas! - and you can control the impact of your internal negotiations. By sharing information this way you gain internal influence, the currency of decision-making.

- Good: "What can you do to help me get this deal?"
- Better: "We're going to have to work together to implement this deal. Here's what I need from you. How does this fit in with your priorities?"
- Best: "I believe this deal is coming down the pipe. What do you think the impact on you might be? What has been your experience with situations like this in the past? What would you like to see from this supplier? How can I best meet your needs as the deal evolves?"

This communication needs to be ongoing. It is not good enough to build support at the front end. Internal relationships must be nurtured with communication as the deal with your external partner evolves. These negotiations take time; they are dynamic. Remember: don't surprise your internal allies.

3. Co-create options and help quantify the benefits and costs both to your company and the customer.

What will your internal partners agree to - more importantly what will they endorse - as an outcome of your external deal? You can prime the pump with a few satisfactory options. Be ready for pushback on your ideas and additional options you did not think of. This is good. Pushback provides you with more clues about what your internal partners' needs and concerns are; their ideas prove the adage that "two brains are better than one."

As you develop options internally, quantify the value propositions. What assumptions are you making? What methods will you choose to quantify the outcomes? How will the customer quantify the value? In other words, how will you measure success - organizationally and individually? (e.g. EVA "Economic Value Added" you may not know about it now, but you'd better find out; e.g. return on committed capital) What are the key metrics that the organization or individual is being measured on?

It might sound like:

- Good: "Here is our option with this customer, here's what she will demand."
- Better: "Here are some options this customer and I have talked about. What do you think? What would you add?"
- Best: "For this customer, what do you think our options could be? Which ones give you the most flexibility? Which one should we negotiate for and prioritize? How will we measure the success of the deal?"

4. Identify criteria your internal partners will use to evaluate the deal.

What are the standards that different internal parties will use to evaluate the agreement you craft with a supplier? Defect rate? On-time delivery? Volume discounts? It's not enough to agree based on an arbitrary standard or, worse yet, "We did it this way last time." If you know how your internal partners will evaluate your external deal, you vastly increase your ability to gain their support for implementing it.

At the same time, clarify your alternatives to any agreement with the outside customer. What's you minimum possible agreement? Don't get trapped into becoming "the company that couldn't say No" by lack of internal awareness of when you would be better off without an agreement at this time.

Internal consensus about your BATNA (Best Alternative To a Negotiated Agreement) among your internal support network will prevent you from saying yes to deals that you and they will regret in the end. Your job is to ensure the external relationship is sustained so there can be a Yes in the future, even if the current option does not meet your internal criteria.

5. Generate alignment and consensus.

The amount of internal consensus required for effective implementation of an externally negotiated deal is proportionate to the number of individuals who will be affected by the deal itself. Also, the more you have negotiated with your internal partners for the deal, the more latitude and authority they will give you to create something externally.

6. Close the internal deal before you present the final agreement to the customer.

Be sure it is all documented. Internal alignment and commitment to implement external deals is crucial. Presenting a unified front improves the likelihood of the external deal, and offers you greater chance to create more value for your own company and for the other side.

Good negotiators prepare for their negotiations with clients and counterparts/adversaries. Highly effective negotiators pave the way for successful external negotiations with proactive, deal-focused internal negotiations. There is a web of internal relationships that must support external deals. The consensus built by integrating the interests of your internal partners into your external deals will enable you to create more value.

Then, when the ink is dry, you will have the resources you need to implement the deal, your agreement will not be sabotaged, and your internal team will think and act as one in your ongoing relationships with your customers, suppliers and partners.

The author would like to thank Ray Giese, Vice President, Strategic Accounts of AmerisourceBergen, for his valuable insight into the nature of internal negotiations as they relate to account managers.

