NEGOTIATION IN PROCUREMENT

Prepared by: The Office of Procurement Regulation

HGEA03 - 03-2021 - Version 1.0

Developed in accordance with the Trinidad and Tobago Public Procurement and Disposal of Property Act Number 1 of 2015 (as amended) and the attendant Public Procurement Regulations
Table of Contents

1.0 Preamble ......................................................................................................................... 2
1.1 The Purpose of this guideline.......................................................................................... 2
1.2 Who should use this guideline? ..................................................................................... 2
1.3 How should this guideline be used? ................................................................................. 2
1.4 The Trinidad and Tobago Procurement Procedure ....................................................... 3
1.5 How does this guideline link to the Trinidad and Tobago Procurement Procedure? .......... 3

2.0 Introduction To Negotiations ........................................................................................... 4
2.1 Relevant References in the Act and the General Guidelines ........................................... 4

3.0 Negotiation Defined ........................................................................................................ 5

4.0 Why Negotiate? ................................................................................................................. 6
4.1 Reasons for Negotiating ................................................................................................ 6

5.0 When To Negotiate? ........................................................................................................ 8
5.1 Discussions and Enquiries ............................................................................................ 8
5.2 Negotiation Stages ........................................................................................................ 9
5.1 Types of Negotiation ..................................................................................................... 11

6.0 Principles Of Negotiation .............................................................................................. 12

7.0 Assess Negotiating Power ............................................................................................... 18
7.1 Types of Negotiating Power .......................................................................................... 18

8.0 What Style Of Negotiations Should I Adopt? ................................................................. 22

9.0 Where Should I Conduct Negotiation? ............................................................................ 24
9.1 When Should I Conduct the Negotiation? .................................................................... 25

10.0 The Negotiation Plan .................................................................................................... 26

11.0 Negotiation Ethics And Tactics ................................................................................... 28
11.1 Tactics ........................................................................................................................ 28
11.2 Positive Tactics .......................................................................................................... 29
11.3 Negative Tactics ......................................................................................................... 30
11.4 Tricks .......................................................................................................................... 31
11.5 Dealing with Tactics .................................................................................................... 32
11.6 Summary ...................................................................................................................... 32
1.0 **Preamble**

1.1 **The Purpose of this guideline**
The purpose of this general guideline is to expose public bodies to best-practice negotiation approaches that can lead to the delivery of cost-effective outcomes in their procurement activities. Quality contract outcomes can be achieved through well-planned and professionally conducted negotiations. This guideline will also provide public bodies with a good understanding of the principles and practices involved in conducting successful procurement negotiations.

1.2 **Who should use this guideline?**
This guideline should be used by procurement officers, legal officers, subject matter experts and other officers involved in the negotiation of contracts.

1.3 **How should this guideline be used?**
This guideline should be read in conjunction with the Public Procurement and Disposal of Public Property Act 2015, as amended, (“the Act”), the Procurement Regulations 2019, the Handbook of Procurement, Retention and Disposal of Public Property, and relevant General and Special Guidelines approved by the Office of Procurement Regulation ("the OPR").

Where applicable, a procuring entity may use this guideline as a model for developing its own special guidelines. In such instances the public body shall:

1) Map all changes (*inclusions, edits, deletions*) against this model guide; and

2) Subsequently submit a copy of its own special guidelines to the OPR for review and approval.

Public bodies are to note that approval of their Procurement Handbook and Special Guidelines will be granted in accordance with the procedures outlined in the publication entitled

“A public body’s guide to approval of its special guidelines for the procurement, retention and disposal of public property”
1.4 The Trinidad and Tobago Procurement Procedure

The Trinidad and Tobago Procurement Procedure is derived from the objects of the Act.

Section 5 (1) - The objects of the Act are to promote –

(a) The principles of accountability, integrity, transparency and value for money;
(b) Efficiency, fairness, equity and public confidence; and Local industry development, sustainable procurement and sustainable development, in public procurement and the disposal of public property.

1.5 How does this guideline link to the Trinidad and Tobago Procurement Procedure?

The Procurement Procedure mentioned in clause 1.4 above is based on achieving good governance objectives utilising a modern-day principled approach rather than the traditional prescriptive model. Achieving fairness in negotiations is consistent with these objectives.
2.0 Introduction To Negotiations

‘Negotiation is a fact of life’. Everyone negotiates something every day. “In particular those involved with the procurement function. In both the public and private sectors, skills in negotiation are highly valued in the pursuit of commercial ‘value for money’ outcomes. Public bodies’ employees are expected to deliver commercial, cost-effective outcomes while demonstrating accountability and integrity in accordance with” (Chartered Institute of Purchasing & Supply, 2018)\(^1\) the Act, Public Procurement Procedures, rules and regulations.

Negotiation is a holistic technique that shall be used throughout the entire procurement cycle. One of the key points in this guideline is that negotiations can occur at any time. The objective is to look for mutual gains wherever possible, and where interests conflict, to develop independent standards and outcomes that are fair for both parties (Chartered Institute of Purchasing & Supply, 2018).

2.1 Relevant References in the Act and the General Guidelines

Section 39(3)- Any discussions, communications, negotiations or dialogue between a public body and a supplier or contractor shall be confidential, unless the disclosure is ordered by the court or required by law.

It should be noted that negotiation forms an integral part of several best practice procurement methods, including but not limited to the following:

1) Two-stage bidding;
2) Request for proposals (“RFP”) with dialogue;
3) RFP with consecutive negotiations;
4) Competitive negotiations;
5) Single-source procurement.

Detailed information on the conditions of use and the procedures to be employed for each of these procurement methods is available in the General Guideline: Procurement Methods and Procedures.

---

\(^1\) Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
3.0 Negotiation Defined

Negotiation is *coming to an agreement*. It is necessary as ‘the process by which agreements are reached, by parties with different and potentially divergent interests, is a complex one’ (Chartered Institute of Purchasing & Supply, 2012)².

“In a procurement context, negotiation is a process of arriving at an agreement on the conditions of a contract, through discussions between buyer and seller:

*Negotiation is a bargaining process between two or more parties, each with its own viewpoints and objectives, seeking to reach a mutually satisfactory agreement on, or settlement of, a matter of common concern*.”³

Negotiation includes all forms of communication:

- Letters
- E-mails
- Facsimiles
- Telephone Calls (limited to formal meetings)

Negotiation can take place on any aspect of the proposed contract, for example:

- Technical
- Program
- Quality
- Commercial
- Contractual

*Note: “It is not limited to discussion regarding price”* (Chartered Institute of Purchasing & Supply, 2018).

---

² Adapted from: CIPS Negotiating and Contracting in Procurement and Supply

³ Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
4.0 Why Negotiate?
“The purpose of negotiation is to move from a point where parties have divergent positions to a point where an agreement may be reached. This agreement should assist in enhancing, or in some cases creating the foundation for, the relationship between the parties. Maintaining and developing effective relationships with suppliers is critical in obtaining public and international whole-of-government priorities. Not only can quality negotiations foster effective supplier relationships, they can also utilise both parties’ assets to the fullest to achieve solutions that may never have been thought of by one party alone” (Chartered Institute of Purchasing & Supply, 2018)

4.1 Reasons for Negotiating

Negotiations can:

- Ensure that potential suppliers understand requirements
- Avoid the possibility of litigation
- Exert some control over the manner in which the contract is performed
- Reduce risks
- Improve the benefits (better quality, performance, delivery)
- Overcome problems & challenges that might arise during the course of a contract
- Gain knowledge of supplier's products, capabilities, capacities and processes
- Achieve value for money
- Foster sound continuing relationships
- Eliminate unnecessary costs
- Create better understanding & relationships with suppliers
- Gain knowledge of supplier's products, capabilities, capacities and processes

Note: Poorly planned or unnecessary negotiations can be costly to both parties—there is time and effort required in planning and conducting negotiations as well as potential travel costs. Accordingly, formal meetings should only be called where the likely result outweighs the costs involved.

UNDP/CIPS Advanced Certificate in Public Procurement, Level 3

Note: Information provided by the supplier/contractor should be regarded as confidential and not be disclosed to a competitor. Officers should not knowingly mislead or misinform suppliers in the negotiation process.

UNDP/CIPS Advanced Certificate in Public Procurement, Level 3

Figure 1. Reasons for negotiating

---

4 Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
General Guidelines: Negotiation in Procurement

See below some more common reasons for negotiating in procurement\(^5\):

**Figure 2:**

*Note:* “There are many valid reasons for negotiating at different stages of the purchase. By far, the most important of these is that a negotiated agreement normally results in stronger ownership by the parties than when the arrangements are forced. As a result, a negotiated agreement is more likely to be successful and enduring in operation”

UNDP/CIPS Advanced Certificate in Public Procurement,
Level 3,

\(^5\) Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
5.0 When To Negotiate?

Negotiations should be entered into when:

- There is a high probability of an improved outcome
- The price/s offered are not considered to be fair and reasonable in ‘direct contracting’ situations
- Substantial risks for either party warrant clarification
- It is cost-effective for you to do so

Note: “In a competitive tendering environment, negotiation with providers should not take place before the tenders have been fully evaluated and, as a result of this evaluation, a preferred tendered (or a short-list of tenderers) has been identified” (Chartered Institute of Purchasing & Supply, 2018).

5.1 Discussions and Enquiries

Pre-offer discussions and enquiries are NOT negotiations

There will be times when contact is made with potential suppliers. This is not perceived as a negotiation but is certainly an opportunity for prospective parties to improve the understanding of their requirements.

Pre-offer discussions and enquiries should be clearly identified to the potential supplier (i.e. the discussion should commence by saying that this is an enquiry ONLY)

UNDP/CIPS Advanced Certificate in Public Procurement, Level 3

Discussion may occur:

- During the process of identifying requirements
- While creating or refining specifications
- When researching the market
- During the bidding process for the purposes of clarification or interpretation

This is NOT negotiation for there is no offer on the table. The release of a Request for Offer (RFO) is ONLY an Invitation to Treat.

Note: There is no such thing as pre-offer negotiation

---

6 Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
**General Guidelines: Negotiation in Procurement**

**Note:** “Sometimes it is necessary to seek clarification of offers before the final selection of the preferred supplier is made. This may be essential to allow you to reach an informed decision on who has provided the best offer and seeking such clarification is perfectly acceptable. However, you must be extremely careful that clarification does not become negotiation (for example, asking the supplier leading questions)” (Chartered Institute of Purchasing & Supply, 2018).

### 5.2 Negotiation Stages

There are two (2) stages in negotiation that may occur in either of the following procurement stages:

#### 1. Post-Offer Negotiation

Post-offer negotiation involves having an independent discussion with one or more potential suppliers to clarify and reach to an agreement. This occurs only after offers have been received. The outcome is a contract.

The following table illustrates issues that can be negotiated with suppliers prior to contract execution:

<table>
<thead>
<tr>
<th>Issue*</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Aspects</td>
<td>Warranties, after-sale service, life-cycle support, minor quality issues</td>
</tr>
<tr>
<td>Special Terms</td>
<td>Types of bonds, guarantees, insurance, payment schedule</td>
</tr>
<tr>
<td>Management Information</td>
<td>Frequency and content of reports, acceptance criteria for agreed milestones</td>
</tr>
<tr>
<td>Time Frames</td>
<td>Duration of contract, key milestones, delivery dates, response time</td>
</tr>
<tr>
<td>Performance Incentives</td>
<td>Delivery and quality incentives</td>
</tr>
<tr>
<td>Personnel</td>
<td>Key team members and focal points, subcontracting arrangements</td>
</tr>
</tbody>
</table>

Note: *The contract requirements (specifications, TOR, et cetera) should not change – this would require cancellation of the tender process and initiation of a new one.

---

7 Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
General Guidelines: Negotiation in Procurement

The following examples were extracted from (Chartered Institute of Purchasing & Supply, 2018)

E.g. – If there is only one preferred offeror, they should not be told that is the case
A clause should be included in the RFO documents informing potential bidders that your organisation reserves the right to negotiate details of the offer after the close of tenders

When you are negotiating as an officer of a public body, be careful not to get involved in haggling. E.g. – The ABC suppliers said I could have it for $100 less than you, can you beat that?

Record all approaches to suppliers. It is unethical to discuss the pricing and other conditions of a supplier’s goods and services with their competitors.

This is not called pre-contract negotiation, as you may be implying there is going to be a contract.

2. Post-Contract Negotiation

When failure to perform by either party requires discussion and resolution, post-contract negotiation occurs. Negotiations may occur before any contract variation or whenever problems arise during the operation of the contract (Chartered Institute of Purchasing & Supply, 2018).

Successful negotiation prevents lengthy and costly arbitration and litigation. The following are issues that may occur:

Figure 3: Issues post contract negotiation

Contract Performance

Termination

Non-compliance with contract

Breach of contract

Change in cost structure

Variation to scope of work

Negotiating termination or breach of contract is complex and should be referred for legal advice before negotiations
General Guidelines: Negotiation in Procurement

Stages for negotiation include:\(^8\)
   a. After selection of a preferred bidder;
   b. Before contract signature;
   c. Before any contract variation; and
   d. Whenever any problems arise during the operation of the contract

5.1 Types of Negotiation
There are two (2) types of negotiation:

   a. Quick Negotiations – the main consideration in quick negotiation is to achieve the best possible outcome in a short space of time. This type of negotiation is highly competitive. An example of this is household procurement of major items, such as a new car or a washing machine. Therefore, this is not the main type of negotiation conducted by procurement officers in a public procurement setting.

   b. Deliberate Negotiations - for a business or government to be successful, it usually requires ongoing business relationships. Therefore, deliberate negotiations require cooperation and relationship building to reach an agreement. The key success in deliberate negotiations is the creation of mutual trust and respect between the negotiating parties, as this leads to a desire for ongoing business. This requires lots of time, lots of effort and lots of hard work. (Chartered Institute of Purchasing & Supply, 2018)\(^9\)

---

\(^8\) Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
\(^9\) Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
6.0 Principles Of Negotiation

“Negotiation is a useful tool for ensuring that

1) the needs of the procuring entity are met and
2) the value for money advantages that have been sought are achieved.

Where there is a true monopoly supplier or where there is only one less than optimal offer received, a negotiation is potentially the only option for securing the required deal.

It is very useful to negotiate with the shortlisted offeror(s) when all evaluations have been finalised in cases where there is of necessity incomplete specification of the requirement. Such negotiations may form part of a phased selection process.

Also, in the case of quality-based selection, pricing is negotiated with the offeror selected as providing the best quality delivery.

Negotiations are necessary to agree performance indicators and associated data collection under a contract where these are important for monitoring and managing supplier/contractor performance.

Negotiations may also be used to refine, but not materially alter, contract terms and conditions with the selected supplier/contractor.

In all these cases, it is reasonably foreseeable that negotiations will likely be required, and the negotiation plan should be identified in the procurement strategy” (Procurement and Disposal Handbook, 2017).

Additional details on the development of a procurement strategy for high-risk and high-value procurements are available in the General Guidelines: Procurement and disposal strategy development.

“It is necessary to draw a distinction between clarification of offers and negotiations. By seeking clarification, the procuring entity eliminates any ambiguity in its understanding of offers prior to them being evaluated. The provision of clarification is not a negotiation or an opportunity for submitted offers to be altered” (Procurement and Disposal Handbook, 2017)\(^1\).
The fundamental principles of negotiation are:

- Always know your Best Alternative to a Negotiated Agreement (BATNA)
- Focus on interests not positions
- Be hard on merits, soft on people
- What concessions are you willing to give? – look for variables
- Fair Deal: Trade, don’t concede

<table>
<thead>
<tr>
<th>Principles</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiations are not an opportunity for the submission of late amended offers that are outside the scope of the parameters established in the original solicitation and evaluation.</td>
<td>If the basis on which offers were originally solicited and evaluated were to change materially in the course of a negotiation, then other offerors that were not shortlisted could argue they should have the opportunity to offer on the amended basis. It might also be argued that a change to a requirement through a negotiation is so significant that a new solicitation process should be opened for the amended requirement.</td>
</tr>
</tbody>
</table>
## General Guidelines: Negotiation in Procurement

<table>
<thead>
<tr>
<th>Principles</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiation is used with forethought as a tactic to support achievement of the procurement objectives.</td>
<td>Where negotiation is used without a well-considered basis, and where suppliers anticipate that negotiations will occur as a matter of course, their offers are likely to be framed to include premium pricing to cover their risks of this eventuality. There are risks to the procurer in achieving value for money advantages whenever bids are priced at a premium because what the premium represents may not be known. It could be that it merely represents ‘fat’ that the offeror expects to negotiate away, it may represent a genuine risk premium on the part of the offeror to cover their uncertainty about the nature of the requirement, or to cover risk in the delivery of aspects of the requirement with which they are less expert or experienced. The risk premium could also represent ‘insurance’ against the known costliness and/or difficulty involved in dealing with the procuring entity. Alternatively, there could be a premium included to cover the cost of corrupt transfers that the offeror has either made or anticipates making to secure the business.</td>
</tr>
<tr>
<td>Stakeholders in the procurement outcomes are consulted to ensure that there is clarity about what is important to them as this may highlight aspects upon which to focus in the negotiation and the “bottom lines” that must be respected.</td>
<td>Consultations with key stakeholders should identify the aspects of the requirement that they value highly as well as features of the delivery that would leave them dissatisfied. Such consultations occur as part of the analysis supporting the development of the procurement strategy and may also occur after offers have been evaluated and negotiations with a short-listed offeror(s) are planned.</td>
</tr>
</tbody>
</table>
### General Guidelines: Negotiation in Procurement

<table>
<thead>
<tr>
<th>Principles</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>The need for negotiations is anticipated and planned when the analysis underpinning the procurement strategy is thorough.</td>
<td>It is poor and potentially unethical practice to undertake negotiations as a matter of course without having a well-founded and planned basis for doing so. Where analysis underpinning the procurement strategy is thorough, aspects of offers that could be anticipated to require negotiation may be reasonably anticipated. For example, where specifications are necessarily incomplete or complex, any uncertainty in the mind of shortlisted offerors concerning the nature of the requirement may be a focus for negotiation. Likewise, where it is known that the procuring entity has a reputation for being costly and difficult to deal with, identifying with an offeror a possible way of reducing their costs in dealing with the procuring entity may also be a focus. Where premiums appear to be included in an offer because of the risks to the offeror because of a lack of experience or expertise in dealing with certain aspects of the requirements, this may be identified by seeking clarification prior to offer evaluation or prevented entirely by the way in which the requirements are framed in the context of supplier capabilities. Where it is suspected that offerors have been, or are likely to be making corrupt payments, the process of clarifying such offers in advance of evaluation may uncover otherwise inexplicable price premiums.</td>
</tr>
</tbody>
</table>
Prior to entering into a negotiation, it is important to identify the implications in terms of price/cost and delivery under the contract of each element that is likely to be the focus of negotiation.

<table>
<thead>
<tr>
<th>Principles</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>A negotiation may address a range of matters and there may be price, cost and delivery implications attached to each, including technical support aspects. Examples may include: warranties, life-cycle support, maintenance agreement, financial aspects such as deposits, payment terms, discounts, payment schedule, travel costs, cancellation penalties etc, risk management including bonds and financial guarantees, insurances, type of contract used, service standards, liquidated damages clauses, management information such as access to information, reporting, documentation, attendance at progress meetings, aspects of procuring entity support such as provision of facilities and information, access to procuring entity staff, timeframes including for completion, delivery, milestone achievement, duration of contract etc, performance incentives and other matters, including packaging and freight, use of specified personnel, subcontracting arrangements etc. The matters that may be the subject of negotiation may each have a cost implication affecting the value for money advantages being sought by the procuring entity and the profitability of the business for the offeror. When giving a concession on one aspect, the procuring entity should seek a concession from the other party in return, mindful of the real money value of that which is given away and that which is received.</td>
<td></td>
</tr>
</tbody>
</table>

The best outcome from a negotiation is when there is a win-win for each of the parties. Achieving this outcome requires careful planning, insight and skill.

The aim of a negotiation involving the objective of improving an offer to better meet the objectives of the procuring entity is to arrive at a position that provides a valuable outcome for both the procuring entity and for the offeror. The goodwill achieved from such an outcome is likely to enhance the delivery of the contract. Where there is a win-lose outcome, the losing party may bring a negative attitude to subsequent dealings, including through seeking to retrieve the loss through contract variations.
### General Guidelines: Negotiation in Procurement

#### Principles

<table>
<thead>
<tr>
<th><strong>The focus of the negotiation is carefully considered and the starting position on each element is the outcome to which the procuring entity aspires.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In planning a negotiation, a best alternative to a negotiated agreement, (BATNA), is identified in the case the negotiation fails or becomes deadlocked.</strong></td>
</tr>
<tr>
<td><strong>A team is assigned to plan, execute and document the negotiation.</strong></td>
</tr>
</tbody>
</table>

#### Implications

<table>
<thead>
<tr>
<th><strong>Aiming high as a starting point in negotiations is preferable to establishing a lower goal that concedes potentially too much ground at the outset of the negotiation.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prior to commencing a negotiation, it is important to research and identify an alternative that would deliver a better outcome than would be the case if the negotiations did not deliver the advantages sought by the procuring entity. Having such an alternative makes the procuring entity’s position stronger because it allows it to walk away from disadvantageous or deadlocked positions.</strong></td>
</tr>
<tr>
<td><strong>Using a team ensures that the full range of expertise and insight is available to the procuring entity throughout the negotiation process. This is also a powerful internal control mitigating the potential for anyone using the negotiating context as a basis for secret dealings with offerors.</strong></td>
</tr>
</tbody>
</table>

**Table 2: Extracted from: (Procurement and Disposal Handbook, 2017)**
7.0 Assess Negotiating Power

Suppliers or contractors often enjoy negotiating power due to buyers’ lack of knowledge about existing potential competitors or alternative products. “Negotiating power has to be perceived by the other side to have an effect in the negotiations. When the other side does not perceive your power, your side has no edge in that regard” (Chartered Institute of Purchasing & Supply, 2018)

7.1 Types of Negotiating Power

The following are types of negotiating power to consider when assessing strengths and weaknesses of each side:

a. Competition

Lack of competition gives one party the upper hand. There is competition power in favour of the buyer when there are multiple sources or alternatives available. Please be mindful that negotiating alternatives exist even during sole source negotiations.

Buyers can gain negotiating strength by researching the following alternatives:

- In-House Performance
- Changing Requirements
- Providing Start-Up Funds to Other Suppliers
- Breaking Out & Separately Competing Components
- Postponing Contract Award

---

10 Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
b. Knowledge

Information is power, the more information you gain about the other side, the circumstances and the negotiating issues, is the greater the negotiating power in this instance. Thorough preparation will increase negotiating power (Chartered Institute of Purchasing & Supply, 2018).

c. Time Constraints

Using time to its advantage, for example, time available for negotiations, completion of work, date when work must commence and the expiration of funding. The advantage here is apparent when time appears to work for or against the other side. Patience strengthens this power source when the other side tries to use a deadline (Chartered Institute of Purchasing & Supply, 2018).

d. Negotiating Skills

Negotiation skills gives both the perception and the reality of negotiating power. Buyers should be sophisticated negotiators, to press their advantage and negotiate favourable terms. “Conversely, supplier negotiators often lose confidence, as they perceive power in the buyers negotiating skills” (Chartered Institute of Purchasing & Supply, 2018).11

e. Importance of the Contract to each Party

Successful negotiations can reward both the organisation and the individual, which is depicted in the table below. “The importance of the contract to each side is determined by how much the rewards benefit the organisation and the individual participants. The side receiving the greater rewards generally tend to strive harder for success. Relative importance of the contract is based both on the facts and on the perceptions of each side. For example, if the supplier perceives that the contract is more important to the buyer than to the supplier, the supplier may be more intractable and less willing to make concessions” (Chartered Institute of Purchasing & Supply, 2018).

---

11 Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
General Guidelines: Negotiation in Procurement

Table 3: Extracted from: (Chartered Institute of Purchasing & Supply, 2018)

<table>
<thead>
<tr>
<th>Organisational Rewards</th>
<th>Individual Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money/Profit</td>
<td>Increased Self-Worth</td>
</tr>
<tr>
<td>Unique Product or Service</td>
<td>Safety</td>
</tr>
<tr>
<td>Property</td>
<td>Prestige</td>
</tr>
<tr>
<td>Data Rights</td>
<td>Self Esteem</td>
</tr>
<tr>
<td>Privileges</td>
<td>Self-Actualisation</td>
</tr>
<tr>
<td>Commercial Opportunities</td>
<td>Security</td>
</tr>
<tr>
<td>Future Business</td>
<td>Reputation</td>
</tr>
<tr>
<td>Product Control</td>
<td>Increased Pay</td>
</tr>
</tbody>
</table>

**Risks Inherent in the Contract**

In every negotiated settlement, risks are inherent. Both sides must be willing to accept varying degrees of risk. “While the risk of cost over-runs or under-runs can be shifted to either the supplier or the buyer depending on the type of contract, cost risk can never be completely avoided” (Chartered Institute of Purchasing & Supply, 2018)^12

Most negotiated agreements are based on estimates of what future cost will be. However, actual costs are rarely the same as what is estimated. Even the best estimates are either too high or too low, but never precisely equal to actual costs. Consequently, while seeking lower degrees of risk for their side, negotiators must still be prepared to accept some degree of risk.

^12 Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
Checklist of Contract Negotiation Best Practices

(The Buyer and Seller Should: )

- Understand that contract negotiation is a process, usually involving a team effort
- Select and train highly skilled negotiators to lead the contract negotiation process
- Know market and industry practices
- Prepare yourself and your team
- Know the other party
- Know the big picture
- Identify and prioritize objectives
- Create options – be flexible in your planning
- Examine alternatives
- Select your negotiation strategy, tactics, and countertactics
- Develop a solid and approved team negotiation plan
- Determine who has the authority to negotiate
- Prepare the negotiation facility at your location or at a neutral site
- Use an agenda during contract negotiation

Figure 7: Checklist of Contract Negotiation Best Practices Extracted from Contract Negotiations, Garrett, A. G. (2005)
8.0 What Style Of Negotiations Should I Adopt?

Lulofs and Cahn (2000) summarised five (5) styles, objectives and related behaviour, which are depicted in table 4 below:

<table>
<thead>
<tr>
<th>Style</th>
<th>Definition</th>
<th>Objective</th>
<th>Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoidance</td>
<td>Withdrawal</td>
<td>Lose – Lose</td>
<td>Silence or physical absence</td>
</tr>
<tr>
<td>Accommodation</td>
<td>Acquiescence</td>
<td>Lose – Win</td>
<td>Give in, don’t make waves</td>
</tr>
<tr>
<td>Competition</td>
<td>Aggression</td>
<td>Win – Lose</td>
<td>Selfish, argumentative</td>
</tr>
<tr>
<td>Compromise</td>
<td>Trade-offs</td>
<td>Win and Lose</td>
<td>Wheeler – dealer</td>
</tr>
<tr>
<td>Collaboration</td>
<td>Mutuality</td>
<td>Win – Win</td>
<td>Supportive of self and others</td>
</tr>
</tbody>
</table>

This is also demonstrated in:

![Diagram 8.1](Diagram_8.1.png)

---

13 Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3

14 Extracted from: Negotiation Experts, 2017
“The essential elements of collaboration are a willingness to trust the other party, until proven otherwise, and a recognition that the other party has needs that need to be met, just like us. In collaborative negotiation, everyone is trying to find a workable solution. Clearly using this type of approach requires a lot of skill and maturity” (Chartered Institute of Purchasing & Supply, 2018). As depicted in the diagrams above collaboration is assumed as the best style. “If you don’t quite believe this try the tactics associated with competitiveness such as being blunt, hostile, fault finding, assuming the other is wrong, threats and an us and them mentality, and see how far you get as a negotiator. Not very far. These tactics do not belong in the arsenal of famous negotiators” (Chartered Institute of Purchasing & Supply, 2018).
9.0 Where Should I Conduct Negotiation?

The environment selected for negotiations is essential as it can have an impact upon the way negotiations are conducted. See below some of the factors influencing selection of the site:

- **Light**: Lighting assists mood, this can assist in bringing the facial expressions of the negotiators into prominence.
- **Noise**: Sharp irregular noises, and high volumes of noise, disrupt the flow of negotiations.
- **Temperature**: An appropriate ambient temperature and humidity will facilitate concentration and aid comfort.
- **Interruptions**: Interruptions are disruptive and cause people to lose concentration. Interruptions can be planned or unplanned.
- **Facilities**: Appropriate arrangements for the conduct of negotiation should be positioned and be working before negotiation commences.
- **Colours**: Colours aid the setting of mood. Bright colours can heighten sensory awareness and build tension. Muted cool colours minimise sensory awareness.
- **Airflow**: Be cautious of airflow, which can over time lead to discomfort in those people in the path of the flow.
- **Site**: Selection of site influences the tone of the negotiation. Conference rooms are very formal.

Figure 9: Environmental factors that influence the selection of a site

---

15Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
General Guidelines: Negotiation in Procurement

9.1 When Should I Conduct the Negotiation?

You should carefully consider time allocated to both the commencement and duration of the negotiation.

**Commencement:** People are fresh in the morning and other issues developing during the day have generally not yet bothered them. When a commencement time is selected stick with it as unnecessary waiting for a start is unprofessional, discourteous and wasteful. It also implies a disregard for others by the person who is late.

**Duration:** Negotiations will take as long as it takes to reach an outcome. Break and resume at another time if insufficient time has been allocated to reach an outcome. Do not rush as it implies that you are not focused on the issues and that you can be distracted, leading to a less favourable outcome.
10.0 The Negotiation Plan

Developing a negotiation plan is essential for you and others involved to understand the parameters under which to negotiate. The following factors are to be considered when finalising your negotiation process for inclusion in the negotiation plan (Chartered Institute of Purchasing & Supply, 2018):

- Overall Strategy
- Tactics
- Negotiation Objectives
- Team Roles & Responsibilities
- Concessions
- Conduct of Negotiation
- BATNA
- The Next Step
- Location & Timing

A well-developed negotiation plan is essential for major negotiations, which will assist buyers in highlighting the issues for negotiation and the relevant strategies to be employed.

*Figure 10: Negotiation plan*

*Note: The officer involved with the procurement should be responsible for coordinating the negotiation*
The buyer team should consider “when planning procurement where the estimated benefits accruing from a procurement by adopting a buying-team approach are likely to outweigh the costs, for example, where the procurement involves”16:

- A major or strategic procurement
- Complex or new technology
- No proven or established supplier performance
- A highly volatile market
- Overseas sourcing
- Research development

A well-prepared negotiation strategy and plan will identify potential risks and increase the probability of a successful outcome by managing the risks listed on the left.

---

16 Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
11.0 Negotiation Ethics And Tactics

“Unethical tactics for achieving worthwhile goals ultimately destroy the positive value of those goals. Unethical means tend to become ends in themselves. The fact remains however, that there are people whose standard of integrity is so distorted that anything is acceptable. To protect one’s self, it is necessary to understand both ethical and unethical tactics and to recognise when they are being employed by an opponent” (Give and Take, 1974)

11.1 Tactics

“The firsts step in successfully negotiating with a party who is using tactics, legitimate or unethical, is to identify the tactic. Most tactics depend on the fact that you will not recognise that you are being manipulated, and that you will react in a predictable way” (Chartered Institute of Purchasing & Supply, 2018).

Below are some examples of possible negotiating tactics which you can employ in your negotiations, or which you may encounter from suppliers or contractors. Some of these tactics are obvious and you can easily recognise them when they are being used against you. Other tactics are more difficult to identify.

If you identify the tactic, you are less likely to respond to it in the way the other party hoped, and you gain a degree of control over the negotiation situation.

An ethical negotiator can be satisfied at the end of the day that they have done everything in their power to ensure a win – win outcome for all parties, and that continuing relationships have been enhanced through the negotiations.

When you recognise the tactics being employed by suppliers or contractors, you are in a position to develop counter arguments and strategies to deal with these tactics.
11.2 Positive Tactics

The following are common and popular contract negotiation tactics adapted from both (Stim, n.d.)\(^{17}\) and (Chartered Institute of Purchasing & Supply, 2018)\(^{18}\):

- **Break the negotiation into parts** - break negotiations into sections and reach an agreement on each part separately.

- **Patience** - patience, persistence and determination are powerful tools in negotiation. Ensure that time is on your side and take the time the negotiation needs.

- **Recessing** - is a useful technique to allow time to consolidate and review the progress of the negotiation. The time can be used to recalculate aspects of the deal, to consider new options proposed during the negotiation, or to generate new proposals to put to the other party.

- **Take control** - controlling the location, timing, topics and pace of negotiation (sometimes called “controlling the agenda”) may create an advantage.

- **Setting deadlines** - a realistic deadline agreed upon by both parties can lead to awareness of the passing of time and focus attention on the need for planning and reaching constritive solutions.

- **Prioritise** - contract negotiations typically focus on revenue and risks, some revenues and risks are more important than others. When you negotiate, you need to know what your top priorities are.

- **Keeping things flexible** - this technique helps parties to identify the best shape of the deal to their mutual advantage by using hypothetical questions to explore options.

- **The "I'm only asking for what's fair" approach** - this approach emphasises that one party’s requests are simply in line with current market prices. It relieves you of the obligation to justify your terms or spend time negotiating for them.

- **The "offer-concession" strategy** - make sure the other side leaves the negotiation feeling they've made a good deal. The offers you make should always leave you enough wiggle room to make acceptable concessions to the other side.

For example, ask questions like: “What if we also wanted a maintenance agreement with that?”

**Note:** Before accepting the other party’s proposal, always calculate the cost of the proposal and determine whether the proposal sets a precedent or cuts across your principles. Do not rush to reach an agreement.


\(^{18}\) Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
11.3 **Negative Tactics**

The following are negative tactics to be avoided when negotiating:

- Stonewalling
- Fait Accompli
- Take it or leave it
- Withdrawal
- Attacks
- Surprise
- Humiliation
- Silence

**Note:** Also avoid making the negotiations seem personal by using language such as “I believe” or “I think,” focusing instead on statements of fact.
11.4 Tricks

Tricks are tactics that dupe you into giving in. They take advantage of the fact that you believe the other party is negotiating truthfully and in good faith (Chartered Institute of Purchasing & Supply, 2018)\textsuperscript{19}

![Diagram of tricks/tactics used during negotiation](image)

\textbf{Figure 12: Tricks/tactics used during negotiation}

\textsuperscript{19} Adapted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3
11.5 Dealing with Tactics

Once you have recognised the tactic being employed you may do one of the following:

1. Pause and say nothing, using this time to think about the tactic and your response. This helps prevent you from making an emotional reaction. This may also make the other party feel uncomfortable as they suspect that you have seen through their tactic.

2. Review the discussion up to this point. This also gives you time to stop and think. Don’t be afraid to admit to having too much information to process, or not fully understanding a point the other party has made.

3. Take time out. If you need more time to think, take a break. You may care to invent a natural sounding excuse, such as a coffee break or getting more information, or you may want to announce a need to confer with colleagues.

Extracted from: (Chartered Institute of Purchasing & Supply, 2018)²⁰

11.6 Summary

Note: “It is important to understand the principles of negotiation and key issues such as what you want and what the other party really needs. We have also considered effective listening techniques and setting up an environment that will encourage a positive negotiation outcome. As part of this process, understanding yourself and how you react in a negotiation are vital ingredients that should be identified during the negotiation process. You should also now understand that negotiating ethically is vitally important, despite the various negative tactics that some people use to get what they want. Knowledge and application of positive tactics on the other hand, is necessary to ensure the best possible outcome”

UNDP/CIPS Advanced Certificate in Public Procurement, Level 3,

You should now be able to apply the negotiation principles in this guideline and enjoy win-win outcomes every time.

²⁰ Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3