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Negotiation

December 13, 2017

Negotiation: Real-World Connection

Background Information

Wholepath LLC provides a suite of professional services to its customers, ranging from general training to custom software-development (integration) services. The scope of this negotiation involved providing integration services to Northern Polish Imports LLC (Polish) that would allow them to automate the import and export of master data between their host system and the Wholepath suite of software products. Polish has been a customer of Wholepath for nearly twenty years and developed a strong relationship with many of the managers at Wholepath, including me. They also currently pay roughly \$1 million a year in software licensing for their existing Wholepath software license.

Negotiation Preparation

Understanding the customer's motives in this negotiation was key to developing the initial proposal. Based on my experience, I suspected that because of the timing of the request, they were likely trying to burn through money left in their 2017 budget. If this was the case, then having a signed agreement in place before the end of December 2017 was paramount. If the negotiations were to drag out beyond the end of 2016, then the window of opportunity for the project would likely close. Additionally, because we would be working with unallocated 2017 funds, we were likely bidding into a specific budget. No matter how sweet I made the offer, if it didn't fall within this budget, there would be no deal. Ahead of

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the actual contract negotiation, one of my engineers was also tasked with scoping the level of effort for the work. During that discovery, he found that the customer was looking to automate both the import and export process but that the higher emphasis was on the export process. As a result of this discovery session, two separate statements of work (SOWs) were developed, one for the import and another for the export work. These SOWs reflected actual development effort as well project management in terms of cost per hour. Based on these general assumptions and technical level of effort in hand, a negotiation-preparation document was created to help structure the initial discussion with Polish (see appendix).

Negotiation Brief

Negotiations with Polish took place via a conference call. The initial tone of the negotiation was cordial, yet it was clear that the customer was frustrated, both with Wholepath in general as well as with these SOWs. Polish at this point was in control of the negotiation and made it clear that they were upset and that the overall Polish/Wholepath relationship was becoming strained. Hoping to cool the temperature of the discussion, I took a more accommodating approach to the initial discussion. I listened to their concerns and made sure to highlight that we also viewed the partnership as extremely important. This approach was effective in returning the negotiation to a place where Polish was also willing to listen to our position.

Ahead of the negotiation call, we provided Polish with our SOW. By doing so we anchored the negotiation at our preferred price, but we also allowed Polish time to prepare their position and push back on key areas of the SOW. They questioned the hourly rate for all services as well as the total number of hours required, specifically for project management. They viewed the project as a standard offering and questioned why, for as many times as we

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