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Digital Article

Negotiations

9 Tactics for Better Remote Negotiations

by Milan Prilepok

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Whether you're a manufacturer looking to sign a new supplier agreement, a tech company trying to close a big commercial contract, or a retailer wanting to modify its warehousing terms, the Covid-19 pandemic has changed the way you should negotiate.

There are two reasons for this.

First, everything — from what and how much you buy, to who or what you sell, to the length and terms of the contract — is up for grabs. Savvy negotiators will rethink their assumptions and evaluate current and anticipated shifts in their industry, assessing the implications for their own organizations as well as the changing priorities of their partners. The world of buyer-supplier relationships that emerges over the next few months may look very different from the stability, growth, and predictability that prevailed pre-pandemic.

Second, some negotiations will remain virtual even as the world opens up. Based on my experience, client conversations, and analysis while leading our negotiation practice at McKinsey, only 10–15% of negotiations were remote or virtual before the pandemic. I anticipate at least 25% of negotiations will be remote going forward. Those will most likely be less complicated deals but also could include portions of those that are more complex.

In this article, I'll discuss what these two changes mean for how you should negotiate in the coming months.

A New Landscape

Let's start with what has changed when it comes to deal terms. Many traditional terms are getting torn up just at a time when organizations are renegotiating contracts that won't expire for several years. It's critical to get these right.

There are many reasons for this volatility. For one, every industry is now starting from a new position. For example, automotive and aerospace companies have lived through a year of lean demand and are basically restarting for 2021, while the entertainment industry is balancing a surge in demand from streaming services at the same time that virus restrictions made production of new content challenging. Distressed companies in many sectors are likely to merge, potentially reducing the number of buyers or suppliers.

Pricing, too, may be more volatile as supply chain conditions shift rapidly. Because suppliers now may be unable to meet the full demand of their customers, buyers may find it advantageous — though expensive — to get treated as preferred "front-of-the-line" customers in situations where supply is limited. This is quite a shift from bargaining on price or long-term volume as they might have done in the past. Meanwhile, suppliers that can offer more flexibility in payment terms may find a greater number of partners. Another promising approach for buyers and sellers alike is to get creative about non-financial terms such as intellectual property ownership, exclusivity, access to innovation, risk-sharing, investments and resource contributions, and contract flexibility.

The organizations that most effectively navigate these new opportunities can expect to see expanded margins, enhanced supply chain resiliency, improved supplier service levels, and priority access to technology and innovation that is in high demand.

To do so, it will be more important than ever for negotiators to prioritize, conducting more scenario analysis to identify which terms to focus on. They will also need to work more closely with senior leaders: Last year CEOs and CFOs became more immersed than ever in their biggest customer and supplier negotiations in a bid to gain leverage. Negotiators should leverage the credibility they built with these executive leaders to continue to pull them in to the most critical negotiations.

Putting the New Tools to Work

Critically, today's negotiators also need to use online tools effectively to take advantage of this moment. Here is our advice for enhancing your negotiation prowess in the digital domain:

- **Assemble a detailed agenda**. Co-write your agenda with your negotiating counterparty in the spirit of collaboration. Leave time for both buyers and sellers to show how things have changed for them as a result of the pandemic, presenting both a current-state view and the challenges to their business, supported by credible data. Also leave time for breaks, so teams can caucus based on new information that emerges during the negotiation, given how much has changed. Finally, as always, schedule sufficient time at the end to fully align on agreements and to clear next steps — we often see this item shortchanged.

- **Schedule shorter, more frequent meetings**. It's a lot easier to get an hour on someone's schedule — even if you have to do it two or three times — than to get a half-day. Without travel as a factor, you can schedule several shorter sessions in a short timeframe, rather than a single mega-deal-making event.
- **Invite multiple stakeholders**. Imagine a financial services company negotiating to buy technology. Now the buyer can invite multiple stakeholders to the same meeting — for example, users in New York, a CIO in San Francisco, and managers of a remote subsidiary in Brazil. This allows the buyer's staff to resolve cross-functional issues directly at the meeting, such as the CIO's requirements for better security or service levels. This can prove critical: If a seller sees or hears only from a company's buying department, and nothing from the key business stakeholder, they will most likely withhold meaningful concessions.
- **Test-drive remote video technology**. We strongly recommend the use of video to catch important non-verbal cues or engender trust. But if the technology being used for the negotiation is different from your norm — whether it's Microsoft Teams, Zoom, Cisco Webex, or Google Meet — investigate any IT approvals necessary and familiarize yourself with how to turn cameras and microphones on and off, share documents or presentations, and use the chat. Fiddling with technology not only takes time away from substantive discussions and distracts negotiators, it also erodes professional reputations.
- **Set up back-channel communication**. Coordinate with your team in advance to use a messaging system like Slack or texting so that you and your fellow team members can compare observations as the meeting progresses. That will give you the ability to pivot the conversation, probe specific areas with precision, or agree when it's time to take a caucus break. Beware using the messaging built into the videoconferencing tool, though, because it's far too easy to send your behind-the-scenes message to your counterparty by mistake.

- **Start with a personal check-in.** You can't assume that everyone is fine — people may be dealing with anything from a sick relative to a factory shutdown. Make time up front to take your counterparty's temperature, so that you can begin with a feeling of mutual concern and trust. This is especially important when you don't have access to a strong handshake or the ability to look them in the eye in person.
- **Consider privacy.** Be aware that whatever you say might be recorded. Think this through before oversharing, using slang terms that could be misinterpreted, or making unrealistic promises. When screensharing, share particular windows instead of your desktop to avoid showing confidential information.
- **Create breakout rooms during breaks.** Similar to the hallway conversations of in-person negotiations, breakout rooms allow your team to speak privately to let off steam or compare notes before reconvening. Plan ahead so that your team doesn't need to scramble to create an alternate channel, losing precious time before heading back into the negotiation.
- **Send a summary of the session.** It's easy to misinterpret or misremember something in a virtual meeting. After it's over, send detailed summaries of what you discussed to your counterparty and to your own team to document the agreements, open questions, and next steps.

The next 12 months will be a restart of business after the challenge of the year of Covid-19. This means that the agreements you strike could make all the difference in whether you seize the potential for new growth and new relationships, or get sideswiped by the rapidity of change. Use these new negotiation techniques to make the kind of deals that will create both financial and non-financial value, and become the foundation of your prosperous post-pandemic world.

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