# M3L9a. Systematic Negotiation Process

## Slide #1Systemic Negotiation Process

In this topic, we will discuss the systematic negotiation process.

## Slide #2Systematic negotiation process 4 major steps

A systematic negotiation process includes four major steps.

The first step is collecting business information to prepare for the negotiation.

The second step is to analyze the information to calculate business positions of different offer options.

After that, we will engage our partners to exchange information and understand each other's business interests.

The fourth step is to make business judgment about the information that we will learn from our discussions with our partners.

It is not uncommon that we repeat the process several times to fully understand each other's business needs, limitations, and offers to reach final agreement.

The information collection and the business analysis require structured rational assessment, while the engagement and judgment steps rely on managers intuitive reasoning.

## Slide #3Information collection for a win-win negotiation

We can use a term-sheet as a framework to help us identify terms to negotiate, as well as collect business information.

## Slide #4Relative importance

Here is an example of a term-sheet that we will use in technology license negotiation.

A term-sheet should include at least the following information.

The first is negotiation terms or issues which are listed in the first column of this table. For example, the license technology, royalty, and so on. Other issues we want to negotiate.

The second set of information to collect is about the relative importance of each term to our organization. Such type of information includes company strategy statement, business performance objectives, key performance indicators, research and development capabilities, and so on. These terms are rarely equally important to our company, and we need to weigh them differently when trading issues in the negotiation.

Also, we can mark what items are negotiable and what are non-negotiable. Do not forget listing those items that are not important to you, but likely important to your partners. Those items are your source of leverage.

## Slide #5Term Sheet

The third set of information we need to collect is the market information about the product and potential partners, so that we can determine the fair market value of each item.

Each issue should include three position points.

## Slide #6Our wish under best-case scenario

One is the desired outcome, which represents our wish under best-case scenario.

## Slide #7Most likely scenario

The second point is the expected outcome, which represents the most likely scenario.

## Slide #8Resistance point BATNA

The third point is the acceptable outcome, or our resistance point, or BATNA. We may have to walk away from the negotiation if the outcome is not acceptable.

## Slide #9Conduct business analysis

Our next step is to determine the business positions of each item under different scenarios.

This is also the time to reach out to our internal stakeholders to assess their positions.

The internal negotiation is equally important and challenging as the external negotiation.

The ultimate goal of internal discussion is to formulate our internal stakeholders’ positions and interests into the analysis and develop a set of unified positions.

## Slide #10Term Sheet

For example, our Product Development Department desires to have a broad field of use, so that they can develop a product for different industries.

Our Marketing Department expects to include U.S. and Japan territories in the license, and our Accounting Department prefers fixed licensing payment, so that they can manage the budgeting and the planning well.

All of those inputs from different stakeholders are organically weaved into the term-sheet positions.

We will revisit the term-sheet positions several times during our negotiation as new information comes in.

So, the term-sheet should be evergreen and tailored to the point when we reach an agreement with our counterpart.

## Slide #11Top Secret

I needed to emphasize one thing about the term-sheet. The term-sheet should be your top secret.

You should never share your version of the term-sheet with your counterpart.

You should prepare a shared version of the term-sheet to communicate offers and document the negotiation progress with your partners, but do not share your version of the term-sheet with your secret information.

## Slide #12Term Sheet

I suggest you spend a couple of minutes studying the term-sheet, looking into the details of those columns.

The expected outcome, desired outcome, resistant points, and relative importance.

Study the term-sheets, understand the terms, and the logic behind the three position points of each term.