



The Gap Partnership

Negotiation Review

Creating power through mapping & sequencing

By Steve Gates

An incredibly powerful tool that simplifies complex multi-party negotiations is that of mapping and sequencing. Where power and process provide options and genuinely remove inertia.

Creating power through mapping & sequencing

Experienced negotiators understand the notion of building value through rational low cost, high value trade-offs. The idea of creating something from nothing is a challenge relished by many. Negotiation is also about power which dictates the degree to which collaboration and rational trading can take place. In this thought piece, we extend the idea of creating something from nothing by exploring the process of sequencing to create power.

No options, no power. No power, no market dynamics and, without a dynamic, market capitalism, would not work. Without competition, there is monopoly and where monopolies exist, value and efficiencies are less likely to be promoted.

Power in negotiation can come from a number of sources. Sometimes perceived power is as powerful as real power. But what actually provides 'real power' for businesses conducting negotiations? The most obvious answer is options. If I can source from more than one supplier, I have options. If I can sell to many people in the market, I have options. In negotiation, buyers and sellers are encouraged to create a BATNA (Best Alternative To A Negotiated Agreement* Source: Ury and Fisher, Getting to Yes) which is effectively an option which provides the power to play the market.

The need to exercise power often comes when businesses are incapable of addressing their differences creatively or they need to maximise margins in relationships. (No realistic BATNA).

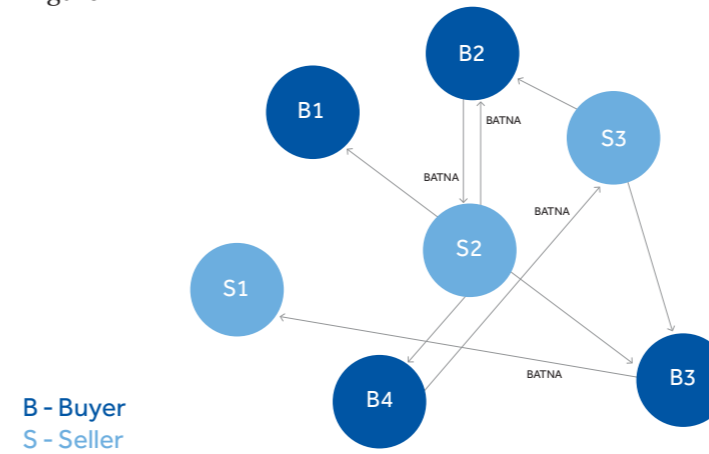
Companies who set out to increase/decrease price will generate a negotiated consequence that is reflected somewhere else in the agreement, usually in specification, timing or other cost driven variables.

You can get a great price on most things but, in B2B agreements, total value (service levels, compliance, performance, specification, on time and so on) should all feature as part the negotiator's total value considerations.

One common feature which exists in negotiations which directly impacts on value is relationships. People negotiate with people. Trust, integrity, communication and an understanding of the other person's real priorities enable thinking which can realise greater value through win-win negotiations trading off low cost/high value variables. Where trust does not exist within the relationship, power becomes the prominent influencer of how the negotiation unfolds, and in this case, relationship mapping becomes critical.

In more complex negotiations involving several parties, the complexity of the relationships and their qualified BATNAs require a strategy. The need to map each of the relationships involved and work through the optimum sequence of events will provide possibilities which are 'managed', rather than leaving the evolution of events to chance.

Figure 1



Negotiators call this Relationship Mapping and it is an incredibly powerful tool for building power through sequencing negotiations. Relationship mapping has also been referred to as 3D negotiation* (Source: David Lax and James K. Sebenius) representing the third and most critical dimension of negotiating: Combining the dynamics and power from relationships, time and circumstance.

The value of any product or service will vary over time whether it be airline flights, fuel prices at the pump or seasonal fruit. Timing in business is no different. The precise timing of a proposal or meeting will greatly influence the options and motivation of the other parties to co-operate.

The interconnectivity of business relationships each with varying priorities means that any one party's actions can have consequence on all or some of the other parties.

In figure 1 each buyer has a defined BATNA. Seller 3 represents the BATNA for both buyer 1 and 4. Although seller 3 is trying to sell to buyers 2 and 3.

With these challenges in mind, relationship mapping helps provide visibility of the dependencies in play allowing for tactical and strategic considerations.

For many logical negotiators, a linear series of relationships is a preferred way of conceptualising the interdependencies. For a more creative approach, visualization can often provide an alternative method of planning possible scenarios. Using a mapping method can help to formulate what is often referred to a permutation in complex multilateral negotiations. In the creation of a map, the negotiator minimises the risk of travelling down a route but instead can look upon the journey seeing all possible routes as options.

Via the dependencies involved, one can identify the appropriate/logical order in which to conduct each one-on-one negotiation.

To help aid the quality of your mapping, you need to build a better understanding of the relative interests, priorities and options that each party holds. Mapping helps negotiation teams to determine an appropriate process, and from this a multi party negotiation strategy.

Take the Case

In June 2008, Yahoo! finally sealed a joint advertising and online search deal with Google after rejecting plans to sell its search business to Microsoft. Jerry Yang, Chief Executive of Yahoo, indicated that the deal would not block Microsoft from returning with another bid.

Yahoo! had spent almost five months in discussions with Microsoft. The two companies had been exploring a deal that could have seen Microsoft potentially acquire the whole of Yahoo.

However, Yahoo! stated that "after careful evaluation" it had rejected selling either itself whole or just its online search engine to Microsoft because it would not be in the best interests of shareholders. Microsoft reiterated that

while it had abandoned the prospect of buying Yahoo! outright, it had left the door open for an "alternative transaction".

Microsoft is believed to have been so keen to acquire a stake in Yahoo!, it had raised its valuation of the company for the third time to \$35 a share.

By sequencing discussions Yahoo had successfully mapped the dynamics between Google and Microsoft generating power and value (share price) securing a deal which was in the best interests of its share holders and maintaining its relationship with Microsoft providing future possibilities.

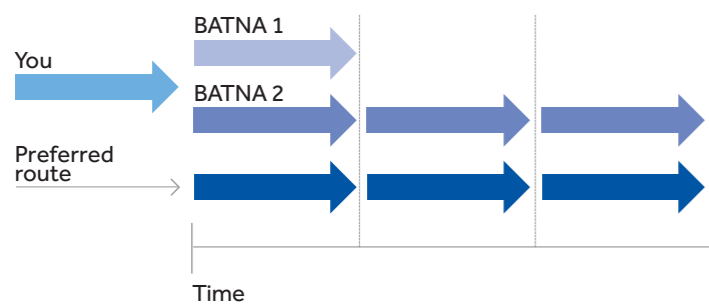
In figure 2 discussions with BATNA 1 and 2 are designed to ensure that momentum and power are maximised with your preferred partner.

Using relationship mapping, negotiation teams can progress discussions on a number of fronts, and with more than one partner at a time.

As in the Yahoo! scenario, timing and sequencing are incredibly useful in maintaining and even building power during multi party negotiations.

In figure 1 Seller 1 would like to sell at best terms to Buyer 4. However to gain a commitment from Buyer 4 they first need to agree terms with Buyer 1 who is the market leader. Buyer 1 knows this and builds a BATNA with Seller 3 because Seller 2 is offering terms which are not as good as Seller 1. This type of scenario is common for many negotiation teams who practise relationship mapping.

Figure 2



How to build your Relationship Map

1. Determine your own 'total value' requirements.

Understanding your own interests is key to building specific proposals which create value. This also allows you to consider the very same issues from inside the head of the other party or parties. The demands or positions of companies are not necessarily a reflection of their real requirements. Key to any planning process is to differentiate positions from interests, using whatever market intelligence you may have.

2. Determine all the companies which will impact on relationship dynamics (Buyers or Sellers).

This includes all relevant companies, both competitors and potential business 'Partners'.

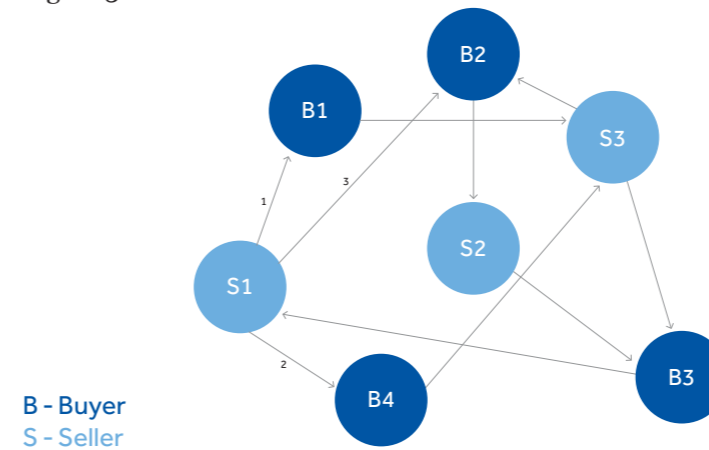
3. List each of their 'total value' requirements.

Effective negotiation comes from detailed preparation within which relationship mapping fits neatly. Define their interests so you can better qualify the strength, or the validity of their BATNAs, as part of building a strategic approach (Strategy: power, process and direction).

4. Define or categorise the relationship in play between each company.

The relationship dynamics driven by dependencies should be ranked. The ranking coming from the degree to which the parties are strategically aligned and have common interests. Below, S1 needs to use market intelligence to understand the strength of B1's BATNA with S3. This can be achieved via B4 who is also in discussions with S3.

Figure 3



5. Map and determine the sequencing of individual negotiations which help provide incremental power, in light of your 'total value' requirements.

Sequencing the order of events is both very powerful, yet can be quickly out of date and useless unless continuously reviewed in light of the continuous changes it is attempting to reflect.

Relationship mapping can also identify coalitions, alliances and even gaps which need filling. In the case of too few options, these 'gaps' may need filling before the sequencing exercise takes place. Coalition: Those that do and those that could exist including those which you may choose to promote. In identifying coalition partners it's useful to consider shared interests, between your company and those you are considering. Discount those companies who lack the power to directly further your interests.

As part of this exercise, you can start to identify those coalitions which could serve to undermine your own BATNA (such as the way S3 is operating in figure 3).

Having mapped the relationships, dependencies, interests and scope for coalition, we are now ready to plan the sequence of negotiations. Each stage in the sequence should serve to build options and power, create opportunity and provide greater clarity. Where the balance of power is against you, the relationship is desirable (you need them more than they need you); by sequencing, building BATNAs

and on occasion forming coalitions you are moving away from simple tactical negotiations dependent on effective behaviours to what is called the 3rd dimension in 3D negotiations, that of sequencing.

Relationship Mapping provides a transparent background allowing strategic thinking to take place. As negotiations unfold providing a dynamic environment in which the original map should be further challenged. If A is too advanced with B to fully appreciate C's discussions, C will need to review their initial assumptions around the relationship. Dynamics across all the relationship will not often be so transparent. Good market intelligence remains key to using relationship mapping as a dynamic tool. Figure 1

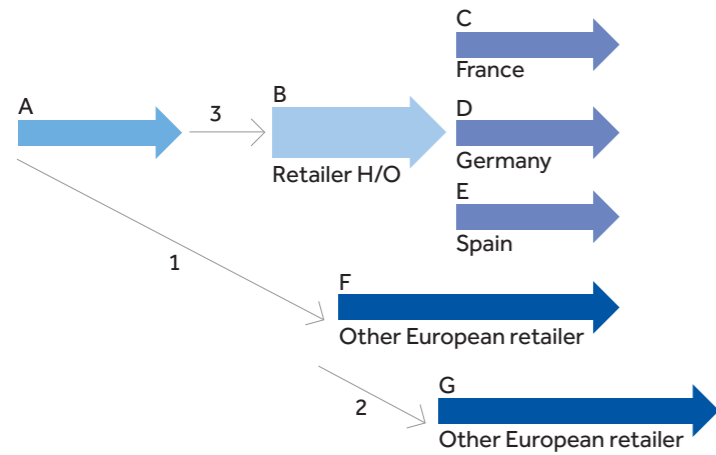
Sequencing

Below in Figure 4, we have an example of party A, who represents a European distributor of branded sun glasses. They are keen to negotiate terms at a local country level with Parties C, D and E representing France, Germany and Spain. However the retailer has introduced a European controller via their Head Office to ensure that a 'European agreement' is first negotiated before localised business can take place. This provides the retailer with the opportunity to negotiate on 2 levels, frustrating Party A's efforts to negotiate directly. The retailer is employing this structure with all suppliers.

Party A, therefore, decides to introduce a process which involves negotiating with party F, agreeing terms and then, if necessary, party G. Each time a sizable agreement is made, dependency on C, D and E reduces.

By ensuring that B is made aware of the agreements with F and G through the press, B's power is reduced, allowing for easy progress through to the target population of C, D and E. In other words, by recognising the effect that early agreements with F and G would have on B, allowed A to sequence activity to aid its cause.

Figure 4



In summary

1. Visually map out all of the entities which make up all of the possible parties.
2. Link relationships and define interests and dependencies from the perception of the balance of power.
3. Recognise the alternatives for all parties in the system.
4. Sequence your activities to increase power with your preferred partner(s) and look at different permutations to provide options.
5. Recognise that your early conclusions will change over time to be prepared to revisit the relationship dynamics as part of plotting your actions going forward.

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