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Lessons learned from my Procurement Mentor: Negotiations Success

My procurement mentor exemplifies "profit through people" and can achieve more on a golf course in 2 hours than an entire team of Harvard MBA's could achieve in a year. He took all the complex terminology, confusing pricing indicators, economic trends and world events and turned it into a goldmine of supplier partnerships and company profit. Superior negotiation skills are a key ingredient to personal and professional success for virtually everyone. And, since it is increasingly difficult to achieve bottom line results and improved customer satisfaction in this economy, I thought I'd pass along a few of the key lessons learned on how to achieve successful negotiations.

I've seen many examples of companies and executives insisting on "negotiating" for a reduction in costs at the expense of all else. And yet, it has consistently yielded less than stellar results. So, what is the secret? Building a "win-win" partnership.

First, focus on building the foundation - the relationship. Although it is important to put together the facts/ data such as industry trends, competitive pricing estimates, technical attributes, etc, the relationship is king. It is important to get to know the people involved in the negotiation, what is important to them, why, etc. Listen 80% of the time, talk 20% - focus your efforts on building a relationship instead of talking about you. People do business with people they like and trust. However, do not expect quick results - a relationship is a long-term commitment, and it takes time to develop. This can be one of the first roadblocks to success - many executives push for quick fixes, instead of focusing on sustainable, long-term results.

Second, integrity is paramount. Building on point number one, you must do what you say you'll do. The key to a partnership is trust, which is only achievable with integrity. Be up front with suppliers about what you see in the future - what are the future goals, what can your partners do to contribute to those goals, what will be the process for decision-making, etc. Don't shy away from tough discussions. Although this sounds quite simple, it is rare in today's business environment. Yet, it is a critical component of successful negotiations.

Third, search for "win-win" solutions. For example, if you know that you will need a 5% lower cost to achieve the required business results within 6 months, discuss the goal with your supplier - brainstorm ideas to achieve the goal together. It is amazing what a team can brainstorm and accomplish when working together. And, at minimum, everyone is on one page. Instead, most companies follow the typical and easy solution of demanding a lower price from suppliers. This can result in a "win-lose" situation - for example, you might achieve your goal (a win) but the supplier loses margin (a loss). Putting aside the consequences to points one and two above, this situation might appear ok since you "won"; however, it can have negative consequences for you as well - such as, the supplier, forced to continually reduce prices, eventually goes out of business, which then results in negative consequences for you. Or, a "lose-lose" situation can occur right off the bat - for example, the supplier might decide to decrease quality to offset some of the price pressure, which results in additional issues (and costs) for you (a "lose-lose"). Although it requires more creativity and guts to address problems head on and search for solutions, it is the only route that will lead to successful negotiations.

These techniques epitomize "profit through people". It seems as though it is too easy to actually work, but it does. And, these techniques aren't as easy to implement as they sound. If they were, my mentor wouldn't have stood out in the crowd as one of the most respected and successful procurement professionals in the industry.

Lisa's Tips: Tips for surviving a physical inventory (and with positive results!)

1. Prepare, prepare, and prepare: 80% of your success is in preparation. Organize the warehouse, clearly mark areas, label exceptions, complete and review system transactions, etc.
2. Stop / isolate movement: When you begin your physical count, stop all physical and system movements and transactions. This is a critical foundation - similar to building a house, if you start adding windows prior to finishing the walls, the house might begin to fall apart.
3. People and communication: Make sure the right people are in the right jobs for their skillsets. And, communicate, communicate, communicate. Make sure everyone has clear instructions, understands how to get questions answered, etc.
4. The control desk: This is the term I'll use for the team organizing and controlling the process - the Grand Central Station hub. Typically, this person/team keeps track of count sheets, makes sure everything "adds up", answers questions and keeps the process moving.
5. Metrics/ tracking progress: Putting the key metrics and vehicles in place to track progress is cornerstone to success. By reviewing these metrics, the leader can review progress, make adjustments as required and keep the process on track. Metrics also provide for a way to measure success.

Recommended Reading

["The Toyota Way"](#) by Jeffrey Liker- it is an excellent book on The Toyota production system philosophy. I appreciate the way the book discusses the philosophy and principles behind Toyota's success. This allows the reader to think through options in terms of how to implement in a way that is tailored to his/her company's needs - the book provides insights and value instead of being just another book about the latest fad.

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