

Art of Procurement Podcast Transcript

Episode 172

[A Ninja's Guide to Effective Negotiations w/ Mark Raffan](#)

Mark: [00:01:35] I'm a procurement guy. I have been pretty much my entire career. I started off actually, strangely enough, in sales right out of the university. I did ad sales for about a year to pay off student loans. I hated it. I hated that sales. Worst choice ever. And then I realized very quickly that I'd rather have the hammer instead of being hammered so I switched very quickly to procurement.

[00:02:03] I started off as a buyer. Progressed to category management. I managed a couple of categories. I went into some leadership roles. And then, decided after that that I really wanted to do my own thing. And so, that was sort of the genesis period of starting with the Negotiations Ninja Podcast. And then ultimately starting my own training business which is focused purely on training salespeople and negotiations professionals and procurement people in general to be better negotiators.

[00:02:39] There is a massive opportunity for people to become better negotiators because I think by default procurement people and sales people think they are amazing negotiators and that's not true.

Philip: [00:02:53] All right. Well, there's a few places I want to go. I'm cognizant of not wanting to jump straight into the negotiation question because I have something to follow up with there. But I wanted to just touch on the podcast. So, you started the podcast. You eluded to negotiations.ninja. It's funny how similar our backgrounds are really when you get down to it but when you started the pod, I imagine you didn't realize how much work was involved in it. And how is that going at this point?

Mark: [00:03:24] You know what Phil, I'd love to tell you that it's so easy. The process of getting guests and getting times and editing and all that stuff that goes with broadcasting is super smooth. But the fact of the matter is if I had known how much work it was going to be I actually don't know whether I would continue. It's a ton of work. I went in cold. Like I did zero research. I just decided one day you know what I want to start a negotiations podcast and jump into it without knowing anything about even something as simple as podcast hosting and the process of paying someone to host my material and then paying more because I'm running out of space and going through the editing process and trying to edit my first few episodes. And then very quickly realizing that that's really stupid and I shouldn't be doing that. It's a long journey.

Philip: [00:04:27] It took me a lot longer to figure that out that I should have done, you know I just didn't want to let go. But finally, after probably like a year and a half I suddenly

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thought "Why am I doing this?" I'm taking longer editing than I ever was in the conversation. It's time for someone who knows what they're doing to do it.

Mark: [00:04:45] Exactly. Exactly. You know what? The one thing though that I love about the podcast and there are many things that I love about it but the best thing that I love about it is that I get to have the most incredible conversations with thought leaders in procurement, sales, negotiations, business in general. I get to tap their knowledge base and ask them questions they've never been asked before and get them to share knowledge that they've never shared before because a lot of people that I have on my show haven't ever been on the podcast or ever been on radio or a video or anything like that. So, for them it's a unique new experience. But they're practitioners. I think that's the big difference that the show has over other negotiation podcasts or podcasts in general in that it's not theoretical knowledge. There are people that actually know what they're talking about that come on the show. Some of it seems counterintuitive when you hear the knowledge, but it works. And so, having someone on the show that can deliver the goods and tell you exactly how to do the work and do the negotiation is what counts.

Philip: [00:06:03] So, you mentioned, and this is where I wanted to go. In the beginning you said about sales and procurement professionals often believe that they are perhaps stronger negotiators than the reality maybe. I wonder if you could kind of give some examples of maybe some of the myths that we tell each other or tell ourselves, or some of the weaknesses that you see that we can correct. What is it that we do that we shouldn't really be doing that maybe we don't even know about.

Mark: [00:06:33] Great question. I think... Unfortunately, a lot of either side of the table whether you are on the negotiation, sorry the procurement side or the sales side, there's an ego that comes with that. On the procurement side, I mean we're very data driven. We're very analytical. We're very focused on the numbers and we can see the gaps in the numbers. And so, that's sort of where we focus in. On the sales side, typically you have people that are great talkers that can talk about a solution and be very sally about a solution.

[00:07:12] Both are parts of negotiation, but they are not negotiation. And so, I think the big thing that both sides of the table miss that they come in with an ego that they... because they're sales person or because their a procurement person they've already--. Especially with people that have been around a long time. They already know how to negotiate. There's almost like a mental block to being open to new ideas or new approaches or different approaches to strategy and negotiation than they've heard before.

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[00:07:52] Now, fortunately enough, the vast majority of my listeners, if not all of my listeners, are not those people because they listen to the podcast. I mean we talked in our previous discussion about people who are focused on self-improvement. I find that people who are listening to podcasts to begin with are already open to learning new things but a lot of the business that I do outside of the podcast is teaching and training people in sales teams, specifically in procurement teams how to be better negotiators and trying to challenge them on their preconceived notions about what negotiation is is very very difficult to get across the idea that listen, this is number one a skill that can be taught. You don't have to be born with it. It is a skill set you can learn. Number two, it's not just for sales people that can talk a good game. The best negotiators that I know are quiet and they listen really well. And the listeners are the ones that get great deals. So, I think, and that was a really long-winded answer to your question, but I think the major issue that both sides of the table have is ego and coming in with this preconceived notion that they can do something better than someone else and they know exactly what they're doing. Getting over that I think is the first and biggest hurdle.

Philip: **[00:09:25]** How do--? In your experience you talk about the fact that you work with sales professionals who are negotiating from one side of the table, obviously procurement professionals negotiating from the other side, how do sales professionals approach a negotiation. How does that differ from what you see how procurement professionals approach negotiation?

Mark: **[00:09:47]** That is a great question. I think salespeople approach negotiation and procurement people approach negotiation very very differently. I'll start that by saying salespeople approach it from getting the sale versus procurement people getting a deal. I think there needs to be a very clear distinction between those two things. Closing a sale and closing volume are generally speaking - and I'm painting a broad brush here - but generally speaking more important to salespeople than obviously procurement people because procurement people are more focused on getting the savings on a per deal basis. Sales people are more volume focused and procurement people are more per deal focused.

[00:10:45] The interesting thing that you'll find between salespeople and procurement people is that the negotiation aspect for the sales person therefore becomes less important because they're so focused on just getting to the next sale because they have quotas that they need to hit. And so, on the procurement side of things were much more focused on the actual negotiation within the deal. What that does is that it forces salespeople to concede and concede too early.

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[00:11:15] When you're in a negotiation with the sales person you'll find that you can get a lot of really quick concessions right away. Procurement people rely on that as sort of the bread and butter of the grinding price game, right. But what's interesting is that sales people don't think of... because they're thinking in volume and they're not thinking of a specific deal and this would depend on the industry and the complexity of the sale but because they think of a volume basis, they give us so much. And the words that they use and how they position themselves create a perception, and we talked about perception the last time that we chatted, that create a perception in the mind of procurement that it's going to be an easy win for procurement.

[00:12:07] And so, procurement generally you know - I mean unfortunately, it attracts a certain personality. Once a procurement person smells blood they go for the kill. They grind on that price and they grind and grind and grind and grind and then the salesperson concedes, concedes, concedes, concedes until they can concede no more. Then there's the sale and then ultimately the business that has sold the service tries to get it back on the back end through either change orders or whatever it is, but the salesperson concedes way too early.

Philip: **[00:12:43]** So, with that in mind then, when we're working with sales professionals who don't concede, who stand their ground, I don't want to say should we take it at face value except I believe that we should take that at face value but is there a point where actually had to kind of telling the truth there isn't more to be had out of something that may be where we're backing up the wrong tree and should focus on other triggers of value creation as opposed to a price. Is there a behavior that salesperson would exhibit that we can take as that cue without it being them saying and is taking it for that word?

Mark: **[00:13:20]** Yeah, great question. I think a lot of us fall into the price negotiation as the default when in fact we can have a negotiation that has a lot more triggers to create value whether it be risk or whether it be contractual terms and conditions or whether it be -- and we talk about expanding the size of the pod. But most people don't even know how to do that. And so, how do you use expand the size of the pie and what types of questions do you ask? So, I mean part of the training that we give is: how are you asking your questions? Whether you're on the procurement side or the sales side there's a concept called the question funnel. We talk about open-ended questions, probing questions, and then closed questions.

[00:14:07] Now, either side of the table can use this, but the best salespeople use it really really well. We talk about open-ended questions as what are some of the challenges that your organization is facing related to the specific issue that you're

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having, right. It doesn't matter what it is whether or not you've got a production issue or service issue. It doesn't matter. Once you can get a procurement person or the operations person or the technical person talking about their issues and their challenges, then you're starting to expand the size of the pie. Right?

[00:14:48] The conversation moves from being -- instead of just a solution that we're providing now, perhaps we can actually help you solve your process issues. Or perhaps we can help you solve some internal issues related to even workforce management where we can create an easier way to do something and therefore free up the FTE or full-time employee that you can use elsewhere. But those conversations are rarely had because the salesperson is so focused on selling the product rather than understanding the problem.

[00:15:23] If the salesperson can understand the problem, the negotiation become significantly more valuable because now you're not just viewed as a salesperson selling something. You're viewed as a solution provider and someone who's a trusted advisor to your customer, right. And so, once you start entering the trusted advisor role, you're creating a perception in the mind of whoever is buying something from you that you are there to help that you are a consultant that you become ultimately their trusted adviser. When you can start to do that then you deliver a whole new way of value. And I think that's the biggest difference.

Philip: **[00:16:12]** Yeah. So, as a procurement professional, there's a couple of things that I think about there. One is... I'd love to have your opinion. Is it incumbent upon us to better educate or relay to the salespeople of the companies that we're working with, the challenges that we're trying to solve? But who is that...? Actually, does that provide them with more insights and information where they can then build that position of a trusted advisor and perhaps use that against you?

Mark: **[00:16:46]** Yeah. Tough question. Yes and no. I think it's incumbent upon the procurement person. I mean I think we've created a situation for ourselves as procurement people where we separate the business from the salesperson and try to be that conduit and pull that barrier really between having them have the conversation. And yes, certainly if you're providing too much information that can definitely be a risk. I mean obviously you don't want to release too much information too soon but there's also a point where it becomes ridiculous.

[00:17:27] I mean you cannot keep having the same conversation over and over again and expect different results. At a certain point you've got to be open and

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you've got to be more transparent with the salesperson to get the answers that you want

and that you need because if you're approaching it from - I don't trust this person because they're a salesperson approach then generally you're going to lose.

[00:17:59] Now, for sure there are going to be some greasy salespeople that try and take advantage of you with that information and that's the unfortunate part of our business. But likewise, there are some procurement people that would equally grind on a salesperson to get all the blood out of the system that they could, right. So, I think it's incumbent upon both parties to approach it as look we actually were aligned. Our interests are aligned. You want to sell something, and I want to buy something so why don't we just figure out the best way to do that so that we can stop this bullshit conversation of the prices is X. Well, we want to discount and blah blah blah. That doesn't get anyone anywhere.

[00:18:46] When we can start to actually challenge each other and the value that we're providing, then the negotiations starts to get interesting. But being able to approach it from that perspective takes a big amount of maturity I think from both sides of the table. I mean I've definitely been guilty of this in the past and being the barrier procurement person that tries to stop the salesperson from contacting the business.

Philip: **[00:19:16]** Salesperson is bad. Procurement person is good. And nothing in between.

Mark: **[00:19:20]** Yeah. Exactly. Exactly. I think in order for us to avoid getting caught by either side, and that's a strong word, but getting caught by either side with their pants down in a negotiation it comes down to being open and upfront right at the beginning and saying "Look. Here's the situation. We need help. You have something that may help us. I'm trusting you that you're not going to take advantage of us." Have that conversation. Right? There's no procurement or sales or negotiation book that will tell you that making it incumbent upon the other party to have, say and trust in each other is not going to help the negotiation. I think that's really really important. And the words that you use there are really important because I think if you can place the onus on the other party to show trust and likewise you can accept that trust, then I think it becomes a different conversation entirely.

Philip: **[00:20:31]** Yeah. I have personal experience of a very recent deal. They negotiated that... Yeah. I took that approach was it's about transparency. This is a this is a

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problem we're trying to solve for. This is the amount of money we have to be able to solve for it. And it's no BS. Like that's the amount. It's the amount and I can never

move from that and I won't move from it because doing so will erode that trust in what I'm trying to say and because I was being honest.

[00:20:56] It really enables you to be creative in the things that you can build and the things that you can do in a way that... The deal would never be impossible if we had gone through a traditional process because they'd come in and I know the pricing would be significantly higher. I think it would even be outside of our budget and so we wouldn't be able to do it. But having that conversation brought us to a place where we feel that we're collaborating.

[00:21:21] But on the flip side of that it only takes one action from somebody else who also is a stakeholder or who has an interaction with that deal or the output of that deal to do something which completely destroys that trust. That's where I struggle honestly. It's like making sure that everybody is aligned within either a deal team or within operations and execution that these are the tenants upon which that negotiation was built, and it was built on trust and cooperation not as soon as you get to a point of confusion or a point where there's different perspectives do you go into let's beat up the supplier mode.

Mark: **[00:22:02]** Yeah. Yeah, I agree. You know what? I think... I'll throw out a word of caution as well. I think we need to... I mean as much as we need to trust each other, we also need to be careful about how much we should trust each other. I know we need transparency and everything like that but what I don't want the message to be is give everything away right away.

[00:22:26] I think what's important for people to realize is ultimately you're dealing with a person on the other side of the table. They've got objectives and goals and you've got objectives and goals. Your goal is to try and see how aligned that you can get those objectives and goals. Now, does that mean that you need to provide them your budget? Maybe. Not necessarily though. I think it totally depends on the situation.

[00:22:55] This is the worst kind of training that I could probably give anyone because it's... I mean negotiation is situational. While we may run the same process, the same negotiation process, the words that you use, how you use those words, when you use those words, the inflection that you use, the tone and the body language that you give -- all of that is situational and based on the deal. It's really

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important for people to recognize that you cannot apply a one size fits all approach to negotiation. Yeah, essentially you can run the same process in terms of strategy for

negotiation but when it comes to the application of that strategy it's a fluid dynamic system. It needs to be viewed as such.

[00:23:53] I think a lot of people fall into the trap all thinking that I can say the same words and use the same approach. The procurement people are bad for this. Right away they take a really hard line approach with every single deal. They get results, sure. But I mean, do they get all the results? Do they get the best results? We talked about quantifying the results in terms of the amount of savings that you've experienced as a procurement person, but do you know if you actually got a good deal? I mean so often we don't actually think about whether or not we got a good deal. We got savings. But if we think about it...

Philip: **[00:24:35]** We think we do. We think we do based on our own baseline as opposed to the reality.

Mark: **[00:24:40]** Exactly.

Philip: **[00:24:42]** Yeah. The point you made about it being situational is so important like the example that I gave. There's a lot of work that goes on before you get to the point of having the confidence to be open and transparent. So, it's not like you go in with every negotiation and say "Okay. Here's all my cards on the table." There's an awful lot of backwards and forwards and perhaps some measure of experiencing situations like that before where you feel that this may be the best approach for the specific negotiation.

Mark: **[00:25:10]** That's right. I mean it can't be understated enough that you need to... And this is really difficult for some people to understand. But look, because negotiation is a skill and that skill can be learned, it also means that that skill needs to be practiced. Part of practicing anything is applying the tactics and the techniques and the strategies differently to each negotiation based on the negotiation style. So, I think you've hit it right on the head where you say it totally depends on the situation.

Philip: **[00:25:49]** So, there's a couple of things I want to dive into a little bit and that's you know the pillars of a successful negotiation. It helps give something that's actionable for listeners to take away today and kind of reflect on what they do but also how they go about the negotiation like the preparation and the execution of the negotiation.

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[00:26:12] The two things that I really think about and I'll focus on the first to start with is really mindset. I feel that mindset is so important. And so, have you in your

experience seen that there is a specific mindset or thought processes that are really attached consistently to those you consider to be great negotiators?

Mark: **[00:26:35]** Yes. There is a very specific mindset that great negotiators have regardless of what side of the table that they sit on, and that's a belief that they can get a good deal. Negotiation is... I know it sounds cheesy, but negotiation is really about being positive because you're going to run into... I mean negotiation essentially comes down to a lot of conflict management at times and you're going to run into situations where there is conflict and where you think you're at a stalemate position and you can't move passed it. And mindset at that point in time specifically at that point in time makes a huge difference in how you show up and how you deliver on certain negotiations.

[00:27:30] Believing you can actually get a deal and believing that the deal is possible is a very big part of negotiations psychology. A lot of people go into negotiations and they get to a point where they think they're defeated or they've reached a stalemate position. But very often what they're not doing is thinking about getting the deal done. They believe they've been defeated but they haven't actually been defeated. And so, having enough critical thought take a step back and maybe even bring in another party to have a look at it because you've been in it for whatever it is whether it's three, six, nine months, a year, and you get to a point where you think the deal is done may not necessarily be the case. Believing you can get a deal done is big.

[00:28:24] And then also having the humility to know that you think you've looked at all the angles and having the humility to get someone in to have another look at it is a big deal. Don't let your pride get in the way of it.

Philip: **[00:28:39]** Yeah. So, that's really interesting. It wasn't planned or prepped, I promise. But it feeds into the second part of the question I had which was around preparation and how important... Well, there's a couple things I want to ask about that. How important is preparation to the mindset or feeling you're going to get a positive deal? How much of it is that people just being that kind of person that they are confident individuals and they think they'll win it and they'll still get a good deal. What role does prep play in that?

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Mark: [00:29:11] Excellent question. A lot of people think that negotiation is sort of like a gun slinger's paradise where you can go in and shoot and ask questions later. Yeah, I mean maybe you'll hit a couple negotiations where you'll win on that but the vast majority of the time you're going to lose and you're going to lose big because you

haven't prepped a strategy. There are two parts to negotiation. The first part is strategy. The second part is tactics. Like the application of the strategy.

[00:29:40] Strategy should be where you spend the vast majority of your time in a negotiation, not the actual act of negotiating with someone but prepping for the negotiation. And that comes down to the research and development that you've done. That comes down to knowing what questions you're going to ask, how you're going to ask those questions, when you're going to ask those questions. And then once you've developed a strategy, role playing it. So many people don't actually roleplay a negotiation before they even go in to the negotiation. And so, they're met with questions where they're like "Oh. I didn't think of that question. Now I'm stumped." And even when you roleplay it -- there's a concept in the military called red teaming where you get someone essentially to come poke holes in your strategy. Getting someone to red... a group of people to red team your negotiation strategy is essential. Especially when it comes to big complex deals because you're never going to know what the other side's going to ask unless you role play it, unless you play it out. Strategy takes up and should take up the vast majority of the time that you spend in the negotiation.

Philip: [00:30:53] How important is data information? Being informed so that you're comfortable in your asks as opposed to trying to use either the illusion that you know or power dynamics in negotiation. If you can access data, how critical is that?

Mark: [00:31:12] Data is critical for different people. I know that sounds kind of like a roundabout answer but there are certain people that feel a lot more comfortable with more data than others. Now there's a certain amount of data that will make the deal better, obviously. The more data you have certainly is directly correlated to how much of a better deal you're going to get but it's not necessarily the cause of how good you're going to be in a negotiation.

[00:31:47] The unfortunate thing is you're never going to have complete data whenever you go into a negotiation. That's tough for a lot of people to hear but rarely do you go into a negotiation where you have a complete data set that you can use as a logical negotiation approach. I mean there's two major types of negotiation and they're definitely not the antithesis of each other. They can be used interchangeably. You can use logic, your logic argument, in a negotiation or you can use emotion.

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- [00:32:18]** Now, I know I'm oversimplifying but for the sake of the listeners those are the two main areas where you're going to be negotiating within. The best negotiators are able to use both. But if you're strong and this is why I said it, it's totally dependent on the person and their comfort level. If you're more of the logic style person, having more data is certainly going to help your comfort level and develop your confidence. If you're able to use emotion a lot better, then having less data isn't necessarily going to hurt you. Now, having more is probably going to help you obviously but having a little bit less is not necessarily going to hurt you. It really depends on your comfort level. Now, obviously if you don't go in with any data...
- Philip:** **[00:33:06]** Right. You're kind of vulnerable.
- Mark:** **[00:33:08]** Then you're setting yourself up to fail. So, it becomes a situation where is there diminishing returns in doing more research? Is the additional piece of information actually going to help you? And if it is, great. Do the research and get that data. But if it isn't, then you've got to be really critical of your thought process and go "Well, am I doing this just because it makes me feel comfortable or and I doing this because it's actually going to help the deal?"
- Philip:** **[00:33:37]** It's a really interesting point you know because we think about the more data we have the more... I hate to use power as the word because I don't want to think of a negotiation as having power but maybe the more informed we are or the better prepared we are. And you're right. It's not necessarily all about getting as much data as you possibly can but it's what's enough. What information is enough to at least help guide you? You're kind of using it as a crutch for yourself as well.
- Mark:** **[00:34:05]** Yeah. And you can, right. I mean I think the issue that a lot of... especially on the procurement side, the issue that a lot of us have is that we analyze the hell out of an opportunity and we go into a situation and then the salesperson throws a curve ball. And then all of our data gets thrown out the window. Right? Like I mean there are certain situations where you can have all the data in the world and it's not going to help. It's really about how much data the specific deal needs as opposed to how much data you personally need.
- Philip:** **[00:34:41]** I want to switch of little bit and talk about ethics. The reason I bring this up, ethics in negotiations is again earlier in my career and maybe it was because the industry that I was in you know we were always... I don't want to say encouraged but the approach that we took was always to obviously get as much as we could for as what we felt we needed from a negotiation. We had the power by virtue of size to do

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that. Whereas suppliers would often acquiesce too well of our demands and so we'd ask for more, we'd ask for more. They would never really say no because they were desperate for this business.

[00:35:20] At what point do we need to be responsible, in your opinion and also the experiences that you've had, in recognizing that we have some responsibility to actually not ask for things that we don't think is sustainable. Although the other party shouldn't be giving as even though they may give it to us.

Mark: **[00:35:40]** Yeah. I think a lot of this comes with - unfortunately, time behind the wheel. I mean I think procurement people who have been around for a while could collectively say look we've made some serious errors in judgment in our past where we may have even put a company out of business because of the requests that we've asked for. Eventually it becomes unsustainable like you say for the sales organization that's selling into a procurement organization.

[00:36:13] I think it's a responsibility, an ethical responsibility of procurement people to know when to stop pushing because it's unfortunate that there had... I mean Anthony Antorino who's a guy that I read a lot about, he talks about procurement people behaving badly. Procurement people have behaved badly for a very long time especially when it comes to big leverage plays. Whether you're in the automotive industry or whether or not you're in the industrial sort of oil and gas industry where size counts. Right? I mean the leverage that you have over a service organization or parts organization selling into you is significantly greater. You know you have the power to drive them into the ground.

Philip: **[00:37:06]** Yeah. Because you're one of only three kinds they could possibly sell to potentially of five clients.

Mark: **[00:37:10]** Exactly. Exactly. And I think we need to be really careful about the relationships that get developed as a result of that kind of behavior because it's going to drive two types of behavior on the back end of that negotiation. Number one, either they're going to try and get it back through change orders, and they will find a way to get it back either by screwing you through time or they're going to get it back through change orders or they're going to try and renegotiate the contract later on when they get more leverage and they're not going to be as nice as you would like them to be at that point in time.

[00:37:43] Or number two, you're going to run the company out of business. I've been in situations where that happens. That's not a great feeling, right. I mean being

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the person who's partially responsible for having hundreds of people lose their jobs because they can't deliver the goods, or the services is sort of really shitty feeling. I think procurement people have a responsibility to stop. Right? To know when to stop pushing. Now, when does that happen, I think again that comes from time behind the

wheel. Equally, I think there's got to be a point from the salesperson's perspective to say "Okay, stop. Enough." There is no more to give. We cannot give you anymore. That's enough. And so, I think we need to be careful on the procurement side but also the salespeople need to be careful overcommitted.

Philip: [00:38:45] Yeah. They need to know where to start. And being honest and kind of transparent about that. If we can encourage that as procurement professionals. It does sometimes again come down to trust. Like are they saying that because they want to... They are seeing this as a win-lose negotiation they want to win. Or are they saying that because it's genuine? They're really doing as much as they can.

Mark: [00:39:06] Yeah. And you know there's a guy that I follow. I forget his name but one of the things that he says about negotiation is the best deal is the one that you can walk away from happy. I think if you walk away -- and a lot of this comes into strategy and preparation that we're talking about earlier. Right? So many salespeople go into a negotiation without knowing what their bottom line is but their realistic bottom line where things can still be healthy and so they push past that bottom line way too quickly, way too early. And then keep pushing and pushing and pushing. Eventually they're going to cost, and then it becomes unsustainable, and then the whole thing collapses on the back end.

[00:39:52] I mean prepa--. That's why preparation is so important. Because if you don't have the information, if you haven't done the financial research to determine where your cost is and you're not getting someone to have a look at that and check you, check your numbers, and make sure that you are offering a deal that makes sense, then you're going to get yourself into trouble every time. You need to know when to walk away.

Philip: [00:40:17] I think we talked a lot about examples that I gave about negotiations and those where... there's a lot of trust presence. You are trying to focus on a win-win outcome and kind of - I don't to say utopian because that's the reality in a lot negotiation but it's also where we want to get to. It's not necessarily the reality of every negotiation. So many negotiations are contentious. Especially when you're trying to renegotiate a scope or pricing with a supplier with whom you've already got a contract with. And you can do a lot of damage in those negotiations.

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[00:40:52] I've been on the receiving end as a service provider of damage that has been done through negotiations and how that impacts either a desire or ability to then service that client because of things that happened and the erosion of trust that happened with the negotiation. That's contentious. I'd love to hear kind of what

guidance or advice you give to negotiators when they're in something that is either complex negotiation or it's a contentious negotiation. How they can really manage that negotiation in a way that doesn't negatively impact ultimately the relationship when the negotiation is completed.

Mark: **[00:41:32]** Yeah. Excellent question. I mean the first piece of advice I would give is recognize that you're dealing with people like we spoke about earlier. If you're renegotiating something, obviously you have a relationship already. Now you can choose to strengthen that relationship, or you can choose to damage that relationship. The words that you use and how you use those words can be very impactful to the business and the person that you're dealing with. We often think that words hold no weight or words have no power, but I would suggest it's very much the opposite. Words are very very powerful. How you use your words can be very damaging.

[00:42:22] If you're telling... If you're renegotiating something and you're telling the supplier that "Look. You haven't lived up to the terms of the agreement. You're not good. The only reason that we're re-doing this deal is to give you the opportunity to put your best foot forward." Those are not encouraging words as a service provider. Right? If you had to take the approach of "Look, obviously there are a few things in here that need to be renegotiated because you need to win out of this and we need to win out of this because we believe in win-win. What do you think?" And put the onus on the other person. "What do you think are the areas that we need to improve in this agreement?"

[00:43:04] Instead of directing and dictating change which a lot of procurement people do, start asking more questions. Start asking more questions of the salesperson to say "Okay. If you were going to improve this relationship, if you were going to improve this business, how would you do it?" Once you can start asking questions and listening more, then you can start to discover where the opportunities actually lie. Procurement people drive and direct and dictate so much that we get caught up in our own power ego. Right? We know we can get a better price and so that's what we drive for and so we lose the big picture of can we develop a mutually successful relationship.

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Philip: [00:43:54] Yeah. It's easy to lose sight of that because you often think about negotiation as being an isolated, not necessarily a process but an isolated initiative. It's within the bounds of a relationship where we don't think about the broader consequences. So, we think yes this may be a contentious negotiation but once negotiation is done then you know everybody's agreed to something or whatever the outcome of that negotiation is. In doing that everyone has agreed to it and we'll move on and we'll go to execute whatever their responsibilities are in the execution of it.

[00:44:33] A lot of people that I have worked with kind of take that perspective that "Well, here's the contract now. We've negotiated all that." Everyone should sweep under the rug what came before and now it's just get on. That's a lot easier said than done. It's really really hard too because again like you said people are people. It's hard for us to forget and move on. When those things happen within negotiation we may not be pleased with where we found that maybe there was an erosion of trust that happened through it.

[00:45:08] I think we've got to think about that and recognize the fact that once negotiation is done it doesn't mean that we can kind of forget about what went into it and move on. There's a lot of collateral damage if we are not necessarily acting in the ways that's consistent with the relationship and the type of relationship we want to build with the other party.

Mark: [00:45:32] I totally agree with you.

Philip: [00:45:34] So, I know we're coming to time. I have one last question I'm going to go into where listeners can find out a little bit more. The last question I had... We talked... Actually, for listeners of this podcast, Mark actually interviewed me for Negotiation Ninja beforehand, so he turned the tables on me. If that's published by the time this is published, I'll link to it in this show notes, but we talked a lot about technology. We talked a lot about technology in the role of procurements and how that may be evolving what we do as procurement professionals.

[00:46:09] I'm interested in the same perspective, Mark, from a negotiator. Is there a day when machines talk to each other? They all have some preprogramed logic built within it that says these are my bounds of accessibility. And like the result of the negotiation gets churned out at the end and we require no human intervention. Are we heading there or is technology going to impact a negotiator in a different way?

Mark: [00:46:36] It's funny that you asked that because I actually know of AI that's being developed right now that is partly that.

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Philip: [00:46:40] Interesting.

Mark: [00:46:43] I think if it comes down to, you know we call it soak, broke, and dope. Like the simple transactional kind of stuff. Maybe there's a time that that kind of stuff can

get negotiated through some sort of AI that gets developed but I think there's always going to be--. In fact, I firmly believe that there's always going to be a role for people who have strong negotiation and strong relationship development skills because you... Maybe just this is me being short sighted, but I cannot foresee a day where you have a complex negotiation that requires looking at alternatives that have never been thought of being done by some sort of artificial intelligence. I think there's always going to be a human aspect to it.

[00:47:51] I think one of the things that we need to think about as we move forward with technology in technology's role in negotiation procurement and sales is technology may replace parts of your job. That's a fact. It's going to happen. That doesn't mean that you can't develop in other areas. It doesn't mean that technology is going to replace all of your job. It doesn't mean that you can't necessarily rescale to another area. I don't think... Again, maybe just me being naïve. I don't think technology is going to replace our ability to have strong emotional intelligence. And so much of negotiation is your ability to have and develop emotional intelligence and understand and listen to the other party. The day that that happens is obviously the day that my business ceased to exist.

Philip: [00:48:57] I think most of the people's business who are doing that as well. It's like that will suggest I have a bigger impact than just the impact on the negotiation profession.

Mark: [00:49:09] I think so. Yeah. Technology can sometimes be scary for some people especially when it comes to the procurement side of things. Some of the advances that technology is making in procurement in terms of automation of processes and some things that are being done on data generation and AI and machine learning, I think those are amazing and incredible things. But thank God that technology is replacing that because those are things that we don't want to do anyway.

Philip: [00:49:40] We should be celebrating the opportunity to get rid of that stuff.

Mark: [00:49:46] Absolutely. We should have a massive celebration because that's a ton of work. Right? That's a ton of work. And so, if we can automate those processes it just makes our jobs easier in the long run.

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Philip: [00:49:54] Well Mark I want to really thank you for joining me on the podcast today. It's been a fantastic conversation. We haven't talked that much about negotiation on Art of Procurement. I'm not really sure why. I think it's time has definitely come to have this conversation. I just really appreciate your insights. I think it's really

interesting to kind of take a step back and think about the salesperson's perspective as well because it comes down to it's a human interaction. If we don't think about that, we think about what we're doing in isolation, maybe just to take positions or perspectives that don't necessarily have empathy with what the other party is trying to achieve in the way they're trying to go about it.

Mark: [00:50:36] Yeah. Listen, I can't tell you enough how important it is for people to think about the other person on the other side of the table. I mean if I was going to leave the listeners with any kind of advice it would be empathize more, listen more, and ask better questions.

Philip: [00:50:58] Where can listeners, if they've enjoyed the conversation today and I'm sure they have, where can they find out a little bit more about you and about Negotiation Ninja?

Mark: [00:51:07] The best place to find me is on Negotiations Ninja. So, that's negotiations.ninja.com. And then people can also find me on LinkedIn. I'm super active on LinkedIn all the time. If you just type in Mark Raffan, that's two "F", A-N at the end, then you'll be able to find me there.

Philip: [00:51:27] Perfect. All right Mark, what I'll do is I'll link up to negotiations ninja and I'll link up to your LinkedIn profile in the show notes. Those are going to be at artofprocurement.com/markraffan. That's artofprocurement.com/markraffan. So, one last time Mark, it's been a pleasure. I'm really excited we're able to do this. So, thanks for joining me.

Mark: [00:51:49] Thank you so much Phil. I had such a great time.

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