

Best Practices White Paper



Insights to help move
the performance needle

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Manage People

Optimize Projects

Measure Results



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Increasing Your Power in a Single Source Negotiation



Even the most astute supply managers can feel powerless, exploited and set up for failure when faced with a single-source negotiation situation.

Nonetheless, the business objectives and margins of your organization and your supplier organization have to be met.

That won't happen unless there's a balance of power and, when power is imbalanced, neither party genuinely wins.

By implementing two key solutions, you will ensure everyone's interests are served. You'll negotiate smarter and, ultimately, achieve more opportunities and stronger relationships.

#1

Know What the Supplier Will Do Without You

To properly prepare for any single-source negotiation, ask yourself:

- What are the consequences to the supplier if they don't reach an agreement with me?
- What will that cost them? What are the short- and long-term costs? What are the soft and hard costs?
- How will that benefit them? What are the short- and long-term benefits? What are the soft and hard benefits?

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By determining what will happen if an agreement isn't reached—the Consequences of No Agreement (CNA)—you are essentially diagnosing the strategies and interests of the supplier.

The difference between determining CNA and Best Alternative to No Agreement, a concept that may be familiar to you, is that CNA explores the bigger picture. It's too easy to become overly enmeshed in your own dependence on the supplier and forget that the supplier may very well be just as dependent on you!

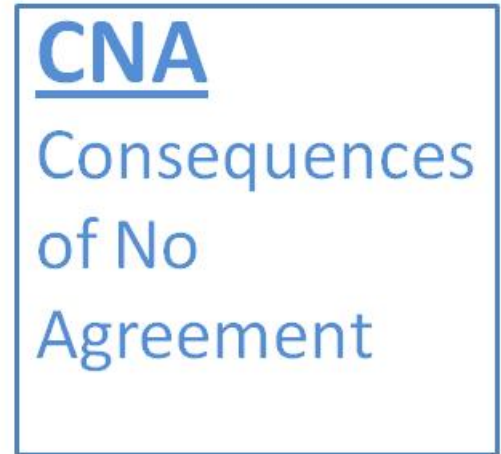
Determining the supplier's CNA can provide critical information that can give you the power you need to negotiate well.

Consider the case of a major air carrier. The supply manager was certain that negotiating with a local government was going to be a no-win situation.

"They can charge me whatever they want. I have no alternative but to fly here," he grumbled.

However, after considering the CNA for both sides, the supply manager determined that, he indeed had a great deal of negotiation power. If the supplier—the local government—terminated the relationship with this air carrier, the number of flights to and from the city would be greatly reduced, and what's more, tourism and business travel to the city would be virtually over.

It's critical that you don't become overly focused on your own CNA and assume in a sole-source negotiation that the other side has more power. Once you explore the CNA for the supplier, you will discover that **you have leverage** and can diplomatically use it to execute a balanced negotiation that results in a healthy, long-term relationship.



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#2

Enhance and Leverage Your Value

Sometimes, even after exploring CNAs, you may still feel powerless. At that point, you need to ask yourself:

“What does the supplier value about their relationship with us? Why is it important to them that we remain their customer?”

Again, focus on the needs of the supplier, because this truth will emerge: it is much more difficult for any supplier to lose a favorite customer than it is for that customer to lose the supplier. By positioning yourself and your organization as a better customer, you will increase your supplier’s reliance on you.

Begin the process of transforming yourself into a favored customer by looking for terms and conditions that will cost your organization little but that the supplier will value highly. This simple-to-grasp but challenging-to-execute concept is key to enhancing value proposition and is the best way to add measurable value to the relationship.

Ask yourself:

- Who is my supplier’s best customer?
- What criteria make them the best customer?
- Where does my organization rank in their best-customer list?
- How can my organization align with the supplier’s best-customer criteria?

Best-customer criteria usually include straight-forward items such as price, volume, delivery, length of contract, and strength of relationship at multiple levels within the supplier’s organization. More advanced best-customer criteria may include information sharing, supply management, warehousing, electronic-data exchange, joint-revenue targets, and process-improvement projects.

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How to Execute Solution Steps One and Two

Stop focusing so heavily on trading during negotiation. World-class class negotiation results come less from the act of trading and more from doing the hard work of prioritizing the tradable items of both sides. Begin determining priorities by asking yourself:

- What specific items does my organization want out of the negotiation?
- What is most-to-least important to us?
- How will we measure this?

Next, consider the same for the supplier. Again, it's easy to become so focused on the demands of your own organization that setting priorities for suppliers feels foreign. But it's critical that you focus not only on what you want out of the deal, but on how you can help the supplier achieve some of their highest-priority needs – especially those needs that are ranked low by your own organization.

SOLUTION Case Study: How to Do CNA Diagnosis and Ranked-Criteria Analysis

A supply manager who had to do single-source negotiation around an engineered-components purchase began the process by reviewing the supplier's website, interviewing the supplier's key contact to better understand their business strategy and direction, and then scheduling additional research meetings with other contacts within the supplier's organization.

The supply manager confirmed that the supplier's CNA was losing a quality customer and a great reference in a highly targeted industry. He also discovered that one of the supplier's major objectives over the next two years was to increase engineered-component sales to new customers.

Based on this understanding, the supply manager was able to position his value more effectively during negotiation, and increase his credibility within his own organization because he had such a strong grasp of the goals and needs of the supplier.

The supply manager analyzed the supplier's best-customer criteria and identified two very wise trades:

Enhanced global reach.

The supplier's highest priority was to access global markets. The supply manager made key contacts to achieve that goal; moreover, he benefited because he was able to obtain a more consistent and high-quality supply to remote regions.

Cost reduction.

The supplier wanted to develop new products at less cost, so they joined forces with the supply manager to undertake an intense review of design, engineering, ongoing maintenance, and other development costs, which resulted in a more realistic sharing of costs between the two organizations.

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SOLUTION CONCLUSION: You Can Wield Genuine Power in a Single Source Negotiation

Understanding supplier CNA and their priorities will help you position yourself more powerfully than ever before. Achieve this by looking beyond your own CNA, and thoroughly analyzing the hard and soft costs and benefits if an agreement is not reached.

SUPPLY MANAGER'S PRIORITIZED NEEDS	SUPPLIER'S PRIORITIZED NEEDS
<ol style="list-style-type: none">1. Quality 99%2. Price \$100k3. Term 3 years4. Volume 2,0005. Raw Material Clause: No	<ol style="list-style-type: none">1. Term 5 years2. Relationship U.S. + Asia3. Volume 2,0004. Price \$125k5. Raw Material Clause: Yes

Without trying to advance your own position, objectively conduct research by listening to the supplier's needs. By understanding what the supplier wants, why they want it, and how they want it, you'll be prepared to deliver a value-based offering that addresses as many issues and interests as possible for both organizations; one that exceeds everyone's CNAs. If it is painful for the supplier to lose your business, identify a diplomatic way to share your knowledge.

Look beyond your own priorities and understand the supplier's best-customer criteria and needs, goals and objectives in rank order. From there, use this knowledge to determine wise trades: items which are of high value to the supplier and low cost to your organization. In the process, you'll advance your organization on the best-customer list and gain power.

Through successfully offering valuable choices for everyone involved, the single-source negotiation process becomes more collaborative and significantly less competitive, and ultimately, everybody wins.

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We help make companies more competitive through people.

Founded in 1995 on the principle that training "by itself" will not drive tangible change or business results, we work with a select group of clients to get the most out of their people. Every training and consulting solution we provide increases revenue, decreases costs, or raises productivity.

Who we work with

Our clients are typically mid-market business leaders who believe that investing in people is vital to their success. The majority come from the high-tech, life-sciences, and service industries and often lack the internal resources or expertise to get the job done. They want more than what traditional training and consulting approaches can deliver.

What we do

We get results. Our one-stop-shop offerings range from creating a high performance culture, to outsourcing the training function, to designing and delivering targeted learning solutions. We excel in seven key practice areas: assessment, sales, loyalty, leadership, management, project management, and measurement.

How we do it

We partner with our clients in a way that makes sense for their unique situation. First we identify the key metrics they want to improve. Then we assemble a dedicated team of experts who have successfully solved similar problems with similar clients. Our expertise and flexibility allow us to move the performance needle faster and farther than anyone else in our industry.

Our Guarantee

We are fiercely devoted to the success of our clients and guarantee results.



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Our clients tells us that we are different.

Our clients tell us that we save them both time and money. Our clients tell us that they appreciate access to certified best-in-class experts who help them to move the needle.

Our sales clients

confirm that they have grown sales by 40%, increased units sold by 42%, increased average pricing by 12%, and closed over 50% of their pipeline.

Our customer loyalty clients

confirm that their customer revenue per household increased by 18%, repeat calls decreased by 48.4%, single contact resolution increased by 6.1% and their overall customer satisfaction increased by 10%.

Our leadership and management clients

decrease their costs by up to 50%, increase speed-to-productivity by 60%, accelerate promotions by 20%, decrease unwanted attrition by up to 40%, and report an additional \$13m to their bottom-line.

Our project management clients

inform us that, by regularly completing projects that meet or exceed expectations, they have become an anomaly in the world where most projects disappoint or fail.

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Representative Clients

We are fiercely devoted to the success of our clients and proud that over 85% of our business comes from repeat business with satisfied clients.



97.5% client satisfaction

98.2% recommend LSA

98% solution satisfaction

129% knowledge gain

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45+ Client Case Studies

100+ Client Testimonials

Top 10% Certified Experts