

# **Project Management: Planning, Execution, Evaluation and Control**

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**Lecture- 33**

Welcome to the course Project Management. In this lecture, we will be covering the art of negotiating. The concepts that we have already covered in this module are this, but today we will be discussing the various dimensions of the art of negotiating and how to proceed with a negotiation. That will be very helpful because negotiation has to be done at every step in project management. After this, in the next lecture, we will be discussing customer relationships and customer satisfaction.

Now to start with, we all know negotiating is pervasive through all aspects of project management work. You know what that means? A project manager has to negotiate at every step. He has to negotiate with top management for their support and for getting funds for the project. Then he has to negotiate with functional managers to get inputs, technical inputs, and also resources, such as the best people from those respective functional groups in his project. He has to coordinate with other project managers and negotiate for shared resources which he may require and have priorities for the work and coordination thereof.

Then he has to again negotiate with his team members for assignments, for the priority of the assignments, for the delivery dates, and for other aspects. He has to negotiate with vendors and suppliers for price, quality, delivery dates, and all these things. He again has to negotiate with his clients or customers for changes in project scope and many other aspects.

Good project management organizations know that negotiation skills are required for every step of project management, so they take care of this so that people may become good at negotiation. They should know the basics of negotiating.

Now to start with, you know project management is not a contest. When you go for negotiation, we have the perception that we have the attitude to go for winning a contest, as if the negotiation is a fight. The majority of people think that they have to win over the

other party. This is the win-loss attitude - at the cost of the other party, how much more can you extract? This is the general attitude of most people.

But project management is not a contest, because in project management, everyone is on the same side. The people who are involved in a project come from different organizations or even if they are in the same organization, they come from different groups. They come together for a particular cause - for the completion of a project. They form temporary alliances for the completion of the project, and when it is over, they go their separate ways again.

The causes, goals, and objectives are the same. You have to keep in mind that everyone is on the same side and they are not enemies. They are your alliances, your partners. You need their help to complete the project and everyone is contributing their part.

A certain degree of trust, mutual respect, and cooperation are required. It is not about how much you are gaining at the cost of others. If it is a win-loss situation, then some party will be aggrieved, and this aggrieved party will do the work half-heartedly. You have to remember that a project is for all the people. They have formed temporary alliances and they are working together for a common cause. Project management is not like selling a house. In selling a house, both parties want to get as much gain as possible and it is a one-time deal. Similarly, bartering with a street vendor is a one-time deal. You do it and go away.

But a project is an endeavor that will go over the project life cycle, and people have to do the work for the success of the project. All these people are responsible for the success of the project and also for the failure of the project, each and every one of them. If you think others are your competitors or enemies, then what happens? Your project suffers. When the project suffers, everybody suffers. Everybody's goal is not met.

So project management is not a contest. Project management is an alliance for a common goal, for the completion of the objectives and the project. You have to keep this in mind when you are going for a negotiation for your project purposes.

Negotiation is a two-part process. One part is coming to a consensus for an agreement. If you think that your company is big and you are bullying the smaller company, then what happens? The smaller company may be the aggrieved party. So what will they do? That brings us to the other part, which is more important: the implementation of that agreement. If the aggrieved party thinks that they have not got a fair deal, what will they do? They will do the work half-heartedly, they will do shoddy work, and you will suffer as the owner, as the client. You will suffer for that.

I remember one incident with plumbers. You engage plumbers at your home and all. When I was constructing a house, I also used a plumber. The plumber was referring to some other houses where he had done plumbing work that he was not satisfied with. He said that he did shoddy work and the house owner will realize it after one year. He was not satisfied, so he did shoddy work. Similarly, if a contractor feels they have not got a fair deal, they will work half-heartedly and the quality of work will suffer.

It is very important that you should go for a negotiation deal where both parties are in a win-win situation. Only then will the mutual work be good work. The attitude should be that for the negotiation, both parties should have mutually satisfying conditions and a win-win situation.

Then there are the basics of principled negotiation. What are the basic rules that have been framed by Fisher and Ury? Fisher and Ury are the Harvard Negotiation Project champions. They have written a book on the basics of principled negotiation and it is widely acclaimed. From that book, you must know some of the basic principles that they have propounded.

The first thing they say is when you are going for negotiation, separate the people from the problem. Generally, people have a tendency to attack the person on the other side. So what happens when they attack personally? The other party goes on the defensive. Once they are on the defensive, they want to try to defend themselves. So all their energy goes into defending, not contributing to the problem. You have come to negotiate to solve a problem. If your energy is only going into defending, you are not contributing to the problem. Then who suffers? Both parties suffer.

You should avoid personal attacks and don't try to intimidate. Some people take anger and intimidation as a means to get the other party, the smaller party, to give concessions. That is to be avoided. As I told you, negotiation is a two-way process. If you bully and win the agreement part, you will suffer in the implementation part because they will not do a satisfying, quality job. You should avoid personal attacks. What you should do is focus on the problem. Fisher and Ury say "Be hard on the problem and soft on the person." You should follow this. It is always better to have a friendly rapport before you start the negotiation. Creating a friendly rapport solves many problems. The working relationship grows.

When some people are intimidating you and putting a lot of pressure on you, try not to react so that the anger does not escalate. If you start pressing and attacking the other party continuously, they will go up to a certain extent. After a threshold is breached, they will

also counter-attack and the negotiation process will turn into arguments and counter-arguments. No productive problem-solving decisions can be arrived at. Separate the people from the problem. Attack the problem, not the person. This is the first principle.

The second principle is to focus on interests, not positions. What does this mean? Interest is what you are trying to achieve. It is your interest, not your position. For example, you must have heard people say before a negotiation, "I want this product for \$10,000." The other person says, "It's impossible. It cannot cost less than \$15,000." Similarly, some people might say, "I want this work by Monday." Then the other person says, "It's impossible. It cannot be completed until Wednesday."

What are these? They have already taken a position. When you take a position, it is very difficult to negotiate. You should not take positions, but focus on interests. What are you trying to achieve? And not only your interest, you should focus on the interest of the other party also. Then it will be a mutually accepted solution and it will be a win-win solution for both. Focus on the interests of both parties.

I will give you an example of "Monday versus Wednesday." This argument, say one local company got a prestigious contract for the production of a next-generation mouse. This was given by a big company. The project manager wants to have a meeting with a focus group to show the product. For that, he was trying to contact the marketing department. The marketing department arranged that meeting of the focus group after a lot of attempts, because those focus group people have to be arranged on a consensus day. They took months to arrange that meeting and it was arranged for the next Monday.

The project manager wants the product by Monday. The production manager says it is impossible, he cannot give the product before Wednesday because his people have been working overtime for the last few weeks and there is no chance it can be completed until Wednesday. It was a deadlock. Both have taken a position.

But during the course of discussions, the interest of the project manager was revealed. The focus group only wants to see the color and shape of the mouse, not the finished product. After listening to this, the production manager says, "You can take it right now. I have some extra shells, cases of shells of those extra mice. You take the shell and you do it."

When the interest surfaced, the problem was solved. They took it because the interest was just to show the color and shape of the mouse, not the finished product. The problem disappeared. Focus on interests, not positions. That is the second step suggested by Fisher and Ury.

Then there is the next step. They suggest you should develop a communication habit. The communication habit is that you should first try to understand, then be understood. This culture has to be developed.

The third step is to develop options for mutual gain. When you have revealed your interest and you know the interest of both parties, then it will be easier for you to develop options for win-win situations, for mutual gain for both parties. Because you know the interest of both sides, how do you get the mutual gain? The options arise from that. For that, you require collaborative brainstorming. Brainstorming under stressful conditions, if you do that, then new innovative ideas may come up and it will be productive ideas. Collaborative brainstorming is to be done for mutual gain. It is not only one option you find out. You find dozens of options and then you choose which one is the best option.

You know the norms of brainstorming. In brainstorming, in the first half or the first session, what you do is generate ideas and do not discourage anyone from generating or giving their ideas. Any outlandish idea is also welcome. What may seem outlandish today may not be so tomorrow, and one idea becomes the seed for the generation of another idea. Do not discourage anyone, however outlandish that idea is. You keep on generating and noting down those ideas. Then in the next session, the next part, you try to screen those ideas and try to prioritize which one will be taken up first. These are the norms for brainstorming. You must try to do that. In stressful conditions, you get many innovative ideas.

Then what you require after that is dovetailing of ideas. What is dovetailing of ideas or dovetailing of interests? Say you know the interest of both parties. Try to synchronize it. I will give you an example. Suppose for certain groups or certain individuals, low cost is found to be of low interest to that group. But that may rank as a high interest for the other group or other party. It becomes dovetailing. You try to combine this dovetailing of the interests of both parties.

I will give you an example of negotiating using stressful collaborative brainstorming to develop options for mutual gain. In one case, a project manager had gone to his supplier for negotiating the price for a product for a segment of the project. During the discussion, they found out that the supplier is not willing to reduce the cost and delivery dates and all. After a lot of deliberation, the project manager found that the supplier has bought a costly machine or equipment by borrowing money from the bank. For that, they have to pay regular EMI. Because of those EMIs, they do not have the funds. They are short of funds and that is giving them a problem. They cannot bring down the cost because they have to borrow money from the bank to do this job.

From brainstorming, these options came out. If the project manager pays them in advance, instead of at the time of delivery or after delivery as payments are usually made, then the problem of funds is removed from them and the turnaround time will be lesser. They will give a significant price reduction. It is a win-win situation for both parties. They seized that opportunity. This is called developing options for mutual gain. This can happen.

The last one is to use objective criteria. What is using objective criteria? In many good organizations or in many professions, they use objective criteria to resolve disputes. For example, for buying a used car, both sellers and buyers depend on the blue book. The blue book can give you a clue as to what should be the price parameters for a secondhand car. Similarly, for the construction industry, building codes and fair construction practices are taken as the basis for proof of quality and the practices followed. Similarly, in the legal profession, precedents are taken as the basis for adjudicating claims.

Each organization may form objective criteria as per the requirement or the need of that organization or that industry. For example, say one airline has leased some used airplanes from a larger company. They have put in a significant amount of investment. Now, their in-house finance team, when they have to make the annual financial statement, the problem becomes whether they should classify it as an operating lease or a capital lease. If it is termed an operating lease, the airline wants it to be an operating lease because in that case, they do not have to record the debt part in the annual statement. But if it is termed a capital lease, then it has to be recorded in the annual statement and the debt-equity ratio will be much less attractive to the shareholders and investors.

The airline organization wanted it to be an operating lease, but the finance team wanted it to be a capital lease as per the rules. But this was resolved by deferring to accounting standards. Those standards are available in the financial and accounting system and this problem was resolved, although the finance team was right. These are objective criteria. Use objective criteria whenever it is possible. These are the four basic principles of negotiation that have been propagated by Fisher and Ury.

Next, when you are negotiating, you will often find that there are some unreasonable people whose attitude to life is always win-lose. At any cost, they want to win. They will bully you and the other party. The other party must give a concession to them. That sort of attitude they are having, that win-lose situation. How do you deal with such people during negotiation?

Fisher and Ury suggest that in such cases, you employ negotiation jujitsu. Jujitsu, as you know, is a martial art. In martial arts, what do you usually do? When negotiation pushes you, do you push back? Do you retaliate? No. What you do in jujitsu martial arts is when

someone is hitting you, you try to step aside so that you can use his energy to your advantage.

When they are pushing you, you don't push back. You sidestep. Suppose they make an unreasonable demand or unreasonable proposal, you neither accept it nor reject it. You just keep silent. You can say, "Maybe that's an option." And if they attack you personally, keep silent. Don't respond to them at all. Try to ignore them. In such a situation, you will find that when you are keeping quiet and the negotiations are not proceeding, it is in a stalemate. Somebody from the other side will try to break the ice. Let them break the ice. You should follow that.

Another thing Fisher and Ury say is to never make a statement, always ask questions. If you make a statement, you are giving them the opportunity to attack you. Take those statements and put them in the form of questions. "If it is done this way, what do you think will be the consequences?" "What is your advice for this?" Ask for their advice.

You will find they are responding to it and you can please their interest. Their interest will surface. Also encourage others to criticize your ideas and ask for advice. You will see that spontaneously they will give their advice, they will put forth their ideas, and you can then proceed further to know their interest and come to some meaningful points.

These are some of the steps you should follow when dealing with unreasonable people who always have a win-lose attitude.

Another thing you should do for dealing with such people is called BATNA. What is BATNA? BATNA is the Best Alternative To a Negotiated Agreement. Before the negotiations, you must know your BATNA. BATNA gives you leverage or weaknesses.

Suppose you want to have negotiations with a vendor for price reduction and early delivery. In that case, if you have more than one, say three or four reputed suppliers who can supply it to you with the same quality, then you have a better BATNA, a high BATNA. You can go to the other supplier. You have more options. If this supplier does not comply, you can go to the other supplier. You have an upper hand in the negotiation.

On the other hand, if you have only a single vendor who can give you critical material with specific specifications and at the time you want to get it, then you have a poor BATNA. You have to obey the supplier. The supplier is in an upper hand. Whatever he says, you have to abide by that. In that case, your negotiation power is very low. For this case, what do you do? You have to accept the supplier's conditions. For the future, you try to improve your BATNA by developing other suppliers or going to other suppliers who are willing to reduce the time period, or you go for substitutable materials.

summarize what we have discussed today is in continuation with those all this lecture here we have discussed the art of negotiating emphasizing that project management is not a contest on the other hand everyone is on the same side and needs to work together for the success of the project we have further explained the Fisher and Wry's suggestion of basic principle negotiation that will lead to win-win situation to both parties and how to deal with unreasonable people during negotiation and to develop best alternative to a negotiated agreement .

so these are the references books that one should go through and if you go through it you can learn more about this outsourcing and all at you can enrich yourself further thank you very much for attending today's lecture