

# A Sales Leader's Guide to Negotiations

By: Carew International, Inc.

If you are reading this white paper, you likely perceive issues with the negotiations skills of your sales team. Maybe you feel your salespeople cave too early on price, or function in a reactive mode, or just aren't as confident or effective in their negotiations as they could be. Effective negotiation skills have never been more critical for B2B sales success. There is universal pressure in today's business world to continually improve profitability, and the easiest way for customers to improve profits is to squeeze better pricing from suppliers. In addition, the digital age has put more insight than ever in the hands of customers, which means that they are becoming better negotiators. One more challenge is the ubiquitous notion among sales professionals that buyers are looking for better pricing, above all else. Too often, quality of service or products are hardly discussed until after the negotiation process, and only in association with a failure to meet customer expectations.



When it comes to improving the outcomes of your team's negotiations, there are two areas for consideration: The foundational negotiation skills of your sales team and the quality of your involvement in that process. The primary focus of this article is to address the optimal role of sales leaders to facilitate successful negotiations by sales team members. As the difficulty of negotiation rises, so does a sales rep's inclination to pull in their leader in hopes that their

involvement will produce a superior outcome. Sales leaders must engage strategically and in a manner that supports the deal at hand, the ongoing relationship with the customer and the long-term development of the sales professional. Consider these tips for cultivating effective negotiation practices through leadership excellence:

## TAKE A STRATEGIC APPROACH.

The most effective negotiation practices are deployed as the result of a strategic philosophy and plan around pricing structure, growth objectives, profitability objectives and competitive considerations. Have you considered these elements relative to your sales team's negotiations process? Is sales compensation aligned with these strategies and objectives? If a salesperson's pay or commission structure is not properly aligned with your company's goals around growth, profitability and competitive balance, then your team's negotiations strategy will be flawed. Make sure, as a leader, you are aligning sales policy and compensation with your strategic goals.

## BEGIN WITH THE RIGHT MINDSET.

The first and most essential step to cultivating effective negotiation skills across your entire sales team is to instill in them an accurate and productive perspective relative to negotiations. Negotiation is not about winning or losing; it is about finding solutions - solutions that meet the highest priority needs of all parties involved. When negotiations are viewed only in terms of gaining or forfeiting margin, we fail to recognize that the impact is actually much broader and deeper than the bottom line on any single deal. In reality, negotiating is a far more complex and essential skill set. The manner in which

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sales professionals negotiate is a key driver of their position with customers and the overall quality of those relationships. Before embarking on negotiation skill development, be sure you have instilled throughout your sales team an appreciation for the impact of effective negotiations, as well as an understanding of your organization's philosophy and objectives relative to negotiations.



## SET THE STAGE.

Just as every sales person on your team needs the right mindset relative to negotiations, the sales leader must also begin with a key perspective: negotiation is a fundamental skill set for every sales professional, and one which is at work throughout the entire sales process. Sales professionals and leaders alike tend to engage negotiations later in the sales cycle than is optimal. Just as the most effective time to coach sales professionals is early in the sales cycle, precisely the same is true for negotiating. Negotiations start from the beginning of the sales cycle.

Sometimes, sales negotiations are over before they begin and the less effective sales professional/leader doesn't even know it. There is critical groundwork that greatly improves the outcome of negotiation

efforts, and the importance of having this in place at the outset of the customer relationship cannot be overstated. From the moment a sales professional has contact with a customer, impressions are being built for all parties; signals are being sent. Sales professionals will be sensitive to buying signals sent by customers, but may be less aware of the signals they themselves are sending. Does he or she seem overly eager for a "deal?" Is he attempting to dominate? Is he too solicitous? These factors create perceptions for others and contribute to the position created with the customer counterpart.

A negotiation is the result of the sum total quality of the relationship. In the same way couples develop negotiation patterns based on the totality of their relationship, so do sales professionals and their customers.

The sales leader can be most helpful assisting their sales professional in managing the developing relationship so that they will be most favorably positioned when negotiable situations arise and it is time to "get down to business." Remember, negotiations is not always price related.

## STRIKE A BALANCE BETWEEN EMPOWERING AND SUPPORTING YOUR TEAM.

A key to cultivating effective negotiation skills is to empower your sales team...with reasonable authority to make offers and accept terms, but also to reach out when unanticipated issues come up. This is a fine line to walk and probably the most intricate for the sales leader trying to maximize the negotiations potential of every member of their team.

Encourage sales professionals to call "time out" if an unanticipated issue arises. As a matter of good practice, leaders should have periodic conversations

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with sales team members about their position with each customer, particularly if the team member is a relatively inexperienced negotiator.

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On the other hand, we must take care not to create the impression, with sales team members or their customers, that sales professionals have to check everything with their sales leader. This dynamic frustrates customers in the same way we are frustrated when having to work with someone not empowered to make decisions. An example of this is when sales leaders approve or offer deals/conditions that they never would have approved for the sales professional. Doing so causes sales team members to lose credibility with their customers. Customers soon figure out that if they can get the leader involved in the negotiation, they will get a better deal, and the leader is now drawn into every sales negotiation moving forward!

## **HELP YOUR SALES TEAM IDENTIFY THRESHOLDS.**

A related strategy is to be sure sales professionals always know their “walk away” - that threshold point at which they will leave the negotiation. They should be aware of this threshold for every account and every negotiation, but focus their energy on their goals/objectives. Sales leaders must coach team members not to get preoccupied with the “walk away,” because this could cause a tendency to make

concessions too early and too often as long as they're still above the “walk away” threshold.



Sales leaders should also work with sales professionals to understand the BATNA (Best Alternative To a Negotiated Agreement) for themselves, their customer counterpart and their competitor(s). Essentially, this is considering and articulating the sales professional's “plan B” if he or she is unable to reach an agreement with the customer.

## **CREATE A NEGOTIATIONS PLAN TOGETHER.**

Prior to any negotiation, sales leaders should work with sales professionals to identify and prioritize their needs and objectives, including the benefits they envision for customers. This thought process will better prepare sales team members to align their goals with their customer's goals and also provide context when negotiations begin and the customer articulates demands. The importance of effective listening to understand the customer's needs and motivations cannot be overstated. Failure to do so places the sales professional and leader in a poor position for negotiations.

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As was referenced previously, effective negotiations is about more than the deal at hand. The manner in which we negotiate will have profound implications on the long-term health of each customer relationship, as well as our long-term profitability with that account. Remember that knowledge is power at the negotiations table. Sales leaders must forge the way for effective negotiations across the sales team by:

- ▶ **Providing insight** as to pricing and other strategic considerations that impact negotiations
- ▶ **Modeling** excellence in negotiation practices
- ▶ **Coaching** sales team members as needed to prepare for, and later, facilitate their negotiation success in the moment

The other key consideration in fostering successful sales negotiation is the skill level among your sales team. It is impossible to pursue effective negotiation skills without having in place strong foundational selling skills: the ability to communicate as a means to build trust, credibility and rapport, and build the kind of strong personal relationship that cultivates loyalty among your customers. Sales professionals must have exploratory and diagnostic skills to uncover their customers' needs and motivations. Without these foundational elements and a consistent process in place, it will be impossible to

cultivate effective, productive negotiations throughout your sales organization.



Jeff Seeley  
CEO, Carew International, Inc.



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800.227.3977 | [www.carew.com](http://www.carew.com)  
[info@carew.com](mailto:info@carew.com)