

# Commercial Negotiation [L4M5]

**Target Audience:** If you have over 2+ years of relevant experience in a business environment, our Level 4 Diploma will be for you. You'll develop the technical skills, knowledge and competencies employers are looking for.

**Hours:** 60 Hours

**Pre-requisite:** Basic understanding of how supply chain works. This is the third entry level qualification, there are no formal entry requirements.

## 1.0 Understand key approaches in the negotiation of commercial agreements with external organisations

### 1.1 Analyse the application of commercial negotiations in

the work of procurement and supply

- Definitions of commercial negotiation
- Negotiation in relation to the stages of the sourcing process
- Sources of conflict that can arise in the work of procurement and supply
- Team management and the influence of stakeholders in negotiations

### 1.2 Differentiate between the types of approaches that can be pursued in commercial negotiations

- Collaborative win-win integrative approaches to negotiations
- Distributive win-lose, distributive approaches to negotiation
- Pragmatic and principled styles of negotiation
- Setting targets and creating a best alternative to a negotiated agreement (BATNA)

### 1.3 Explain how the balance of power in commercial negotiations can affect outcomes

- The importance of power in commercial negotiations

- Sources of personal power
- Organisational power: comparing the relative power of purchasers and suppliers
- How suppliers gather information on purchasers
- How purchasers can improve leverage with suppliers

1.4 Identify the different types of relationships that impact on commercial negotiations

- The relationship spectrum
- Building relationships based on reputation, and trust
- Repairing a relationship

## 2.0 Know how to prepare for negotiations with external organisations

2.1 Describe the types of costs and prices in commercial negotiations

- Types of costs: direct and indirect, variable and fixed
- Break-even analysis: cost volume profit formulae
- Costing methods such as absorption, marginal or variable and activity based costing
- Volumes, margins and mark ups and their impact on pricing
- Negotiating prices

2.2 Contrast the economic factors that impact on commercial negotiations

- The impact of microeconomics and market types on commercial negotiations
- Macroeconomics and its influence on commercial negotiations
- Sources of information on micro and macro economics

2.3 Analyse criteria that can be used in a commercial

negotiation

Criteria such as:

- Setting objectives and defining the variables for a commercial negotiation
- The bargaining mix
- Positions and interests
- Openings and presenting issues

2.4 Identify the resources required for a negotiation

- Choice of location
- Involving appropriate colleagues
- Use of telephone, teleconferencing or web based meetings
- Room layout and surroundings

## 3.0 Understand how commercial negotiations should be undertaken

3.1 Identify the stages of a commercial negotiation

- Defining the stages of a negotiation such as: - preparation, opening, testing, proposing, bargaining, agreement and closure
- How behaviours should change during the different stages of a negotiation

3.2 Appraise the key methods that can influence the achievement of desired outcomes

- The use of persuasion methods
- The use of tactics to influence the other party

3.3 Compare the key communication skills that help achieve desired outcomes

- Types of questions
- Effective listening
- Push and pull behaviours

- Nonverbal communication
- The influence of culture in commercial negotiations
- The use of emotional intelligence in commercial negotiation

3.4 Analyse how to assess the process and outcomes of negotiations to inform future practice

- Reflecting on performance
- Opportunities for improvement and development
- Protecting relationships after the negotiation