

Negotiation with Private Sector Partners

Private Sector Engagement Toolkit - Tip Sheet #12:

Negotiation is the process through which we clarify the needs and goals of all actors in order to formalize our partnership. Similar to the private sector, we should negotiate for the most favorable terms possible, while simultaneously recognizing the need for a win-win outcome where all sides satisfactorily meet their expectations. Negotiation is a crucial engagement activity as it forms the basis of a partnership agreement or memorandum of understanding (MOU) that will guide the engagement going forward.

Tips for Negotiating with the Private Sector

1. Frame a negotiation from our perspective (to achieve our goals) but, as negotiations evolve, pay attention to how our partner accepts our proposal and make adjustments as necessary. Establish as early as possible the arguments and leverage which can be used in the negotiations.
2. Remember that profitability (or ROI) is often, but not always, a primary goal of a private partner. They may also be motivated by other less directly profit-centric objectives such as like testing a new product line, exploring a new market, expanding their customers, improving their reputation, or even less directly by helping motivate and engage their employees or customers. Try to identify their goals and interests and negotiate with that understanding.
3. Before you start negotiation, know what you want to get out of the negotiation and why. Also know what is your "bottom line," i.e. at what point should you walk away from the negotiation because the deal no longer make sense for Mercy Corps. Make sure everyone on the team understands this and agrees.
4. Do not overemphasize that you will help the firm make money. They already know how to do that. Explain the additional value that a partnership will bring to the company and to our beneficiaries.
5. Identify and articulate common goals we share with the firm.
6. Make sure you have the support of the key decision-maker(s) in the business. You may be negotiating with lower level staff but you should first have the general support of the decision maker so you do not waste everyone's time.
7. If the partnership is driven from a senior level but you are negotiating with lower level staff that are uncooperative or unwilling to negotiate in good faith, do not hesitate to bring in the senior staff to push the negotiations. Do not let the deal fall through, or accept what we believe to be a bad outcome, because a lower level staff member is unreasonable.
8. Collect data before on their market and any relevant gaps or weaknesses in the market. Refer to that to help illustrate to them the benefit of the engagement.
9. Go into the negotiation with the understanding that this will ultimately be an equal partnership and that the private sector must contribute their own resources, either financial or otherwise.
10. If negotiations get difficult - especially if they are stuck on financial agreements - shift the topic to highlighting the future benefits such as better supply in quantity and quality, better trained staff, potential of new developed products etc.
11. Do not be afraid to walk away after the first negotiation and resume talks at a later date if you are not 100% satisfied with the firm's proposal.
12. Be tough! Just because we are an NGO and they are a private firm, does not mean we are in a weaker position. Keep in mind that Mercy Corps' experience, expertise, approach and capacity are very valuable, and the private sector is at the table because they believe they will leverage those attributes and achieve value from our engagement.
13. Negotiations take time, especially if they are complex. Plan on multiple negotiating sessions and do not try and come to an agreement too quickly.
14. Do not count on any deal until a contract is signed.

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