

THE STRATEGIC ACCOUNT MANAGER AS A VALUE-BASED NEGOTIATOR

Designing negotiation processes to enhance mutual value in deals with strategic accounts.

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Strategic account managers (SAMs) spend a significant amount of their customer-facing time seeking agreements, resolving product and service delivery issues, and negotiating deals. During negotiation skills development programs with strategic account managers, I often get asked questions about tips and tactics to be used during the negotiation, in other words, “at the table,” or “in front of the computer” if negotiating online. Interestingly, the most effective negotiation approaches focus on activities conducted before and after negotiation rounds.

Thus, this article focuses on tactics not just during the negotiation but also before and after the talks with strategic accounts, addressing the question: How can strategic account managers better design the end-to-end negotiation process with strategic customers? [In a previous article](#), I outlined how SAMs can create value (“The Strategic Account Manager as Value Creator,” volume 25, issue 2, 2023). In this feature, I describe approaches SAMs can adopt to negotiate more effectively — to better distribute and capture value.

Negotiating with strategic customers is often characterized by a set of premises I would like to outline up front. First, if you’re negotiating with a strategic customer, the relationship is at least as important, if not more, than the substantive content of the deal. Second, you typically negotiate with

customers for whom you are also an important supplier; therefore, a degree of interdependence and power balance exists. Third, the future value of the strategic customer’s business is much greater than the value of the deal at hand. Fourth, certain behaviors enable the surfacing of hidden value drivers that can supersede the value of the items listed explicitly in the agreement.

Scoping value-based negotiation

Before delving into the description of negotiation tactics to define value-based negotiation, I’d like to define negotiation as the process of reaching a *mutually acceptable agreement* that *satisfies each party’s interests*. This process comprises *bargaining* and exchanging *concessions*; balancing *power*, borne *costs*, and gained *value*; and enabling the continuation of the *relationship* in the future. The words in italics denote core concepts that apply to negotiating with strategic customers that may not be relevant in highly distributive deals with non-key customers. Here are ten guidelines to enhance mutual value in deals with strategic accounts.

Before the negotiation

1. Setting your mindset for “strategic” negotiation

I refer to “strategic” negotiation precisely

because you're negotiating with strategic customers. Therefore, the focus and emphasis are on creating value over the long term. The way you negotiate and the types of deals you shape set the tone for the future relationship with your key customer. Your approach to negotiation also sets a precedent for forthcoming deals. SAMs and complex project managers often tell me that the real negotiation is the one that follows the signature of the contract. The British Airports Authority negotiated a landmark contract for constructing the London Heathrow Terminal 5. This project's on-time and almost-on-budget delivery was a major achievement, partly enabled by the approach taken to negotiations with tier-one suppliers, not just before the contract but after the deal(s) were agreed to.¹

2. Embedding risk-sharing and profit-sharing schemes

Breakthrough innovations in industrial, life sciences, defense, and other sectors require significant investments from the supplier and the strategic customer. Naturally, both partners will want to balance risk and benefit. For instance, when Airbus designed the A350 aircraft, it engaged key suppliers such as GKN Aerospace to deliver expert support for metallic and composite wing structures across all A350 XWB programs. This was supported by a long-term partnership known as a "risk-sharing partnership," creating mechanisms for the collaborative design and construction of these complex aircraft subsystems. The uncertain nature of long-term programs means that both risks and benefits need to be considered. When negotiating with strategic customers, SAMs

need to embed into their negotiation approaches a carefully crafted formula for balancing cost, value, and risk across their organization and their customer organizations.

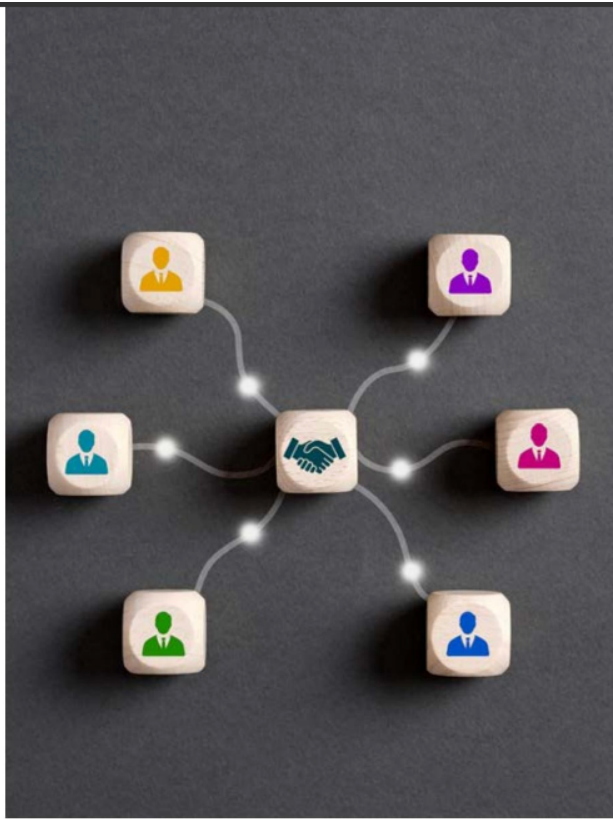
3. Focusing on compatible interests and converging priorities

Effective negotiators give much more time and attention to discussing compatible issues than average negotiators.² They focus on common ground before addressing more difficult topics between the parties. Thus, they build momentum, enabling progress, particularly when the parties seem far apart in reaching an agreement. But they also realize that value can emerge from differences in priorities. For instance, large technology vendors like IBM work with their clients to design and deliver complex transformational projects. Key negotiation variables in these deals may include functionality, implementation time, scalability, and, of course, price. Detailed analysis of these projects may reveal that a shorter implementation period can facilitate speedier time to market, allowing a company to capture market share and secure a prominent position in the market. This can be much more valuable than a discount on the price of a contract.

4. Balancing different manifestations of value in the negotiation

In the article "The Strategic Account Manager as Value Creator," I referred to Bain & Company's study on business value.³ This work shows how B2B customers care about the functional elements of your offering and the ease of doing





business with your company. These are traditionally negotiated in service-level agreements, performance clauses, etc. However, value also manifests for individuals when their priorities, such as peace of mind, design, and aesthetics, are addressed.

Furthermore, subtle sources of value emerge when your offering tackles the customer's hopes, deep motivations, and future vision. These are rarely captured in formal agreements. However, they can become dealmakers. Therefore, the narrative of negotiation processes with strategic accounts needs to balance the concrete and specific with the holistic and aspirational. When SAMs help their customers become more aware and address value drivers across the dimensions outlined, the chances are that the thorniest issues, such as price, become easier to agree on.

During negotiation

5. Involving negotiation parties upstream and downstream

The pressure to negotiate costs often precludes defining collaborative work arrangements between suppliers and customers. This is well-known for key account managers in consumer goods who sell to large retailers. The purchasing power of these customers and their demands for discounts means that, very often, win-win negotiation seems impossible to achieve. One approach to address this challenge is to involve additional parties in the negotiation: the suppliers

of the supplier, what I call upstream, and the customer's customer, in other words, downstream.

In their book "3D Negotiation,"⁴ Lax and Sebenius refer to the example of Sweetheart Cup Company, a North American company that made paper cups, plastic cups, and related products. One of their major customers, McDonald's, issued a request for a price reduction of 10%, warning suppliers of lost business if this reduction was not offered. Instead of engaging in a lengthy bargaining process, the Sweetheart Cup Company engaged a major paper supplier, Georgia-Pacific, and several McDonald's key stakeholders. Equipped with insights into McDonald's consumers, the company sought ways to optimize overall costs for all parties involved and avoid having to provide the requested discount.

6. Anticipating an effective pattern of concessions

Regardless of whether you are negotiating a long-term contract with a major client or bargaining over a one-off deal, negotiation requires exchanging concessions. The fundamental principle you should consider is to offer to the other party concessions that are high value to them and low cost to you and to demand from them the opposite: concessions that are low cost to them but high value to you.

When offering concessions, label them as such, emphasizing their inherent value to each party. Ensure that you offer contingent concessions, stating that you can make a concession only if the other party agrees to make a reciprocal one. The perception of value is typically enhanced when you offer incremental concessions, which are increasingly smaller at each negotiation round.⁵

7. Orchestrating different roles in team-based negotiations

SAMs' negotiations with strategic accounts will almost always involve other people. Therefore, the effectiveness of the process and the level of satisfaction with the agreement will depend not just on the SAM's personal skills but also on the ability of the negotiation team to work in a coordinated fashion. Complex negotiations often require nominating a lead negotiator, who may or may not be the most senior executive in the negotiation team. Someone must take on an analytical role, translating the financial impact of the requested concessions and the cost of those offered. Furthermore, in negotiation, it is not just what you say but what you don't say that matters. Someone who can "read the room" needs to be encouraged to observe the other party's behavior and emotions and to decode what they mean in the context of the ongoing negotiation.

Meredith Belbin's team roles theory offers valuable perspectives on how individuals work together.⁶ This established diagnostic allows for evaluating individuals' preferences when working with others, differentiating among social, action, and thinking orientations. Individuals with a social orientation can become ideal negotiation orchestrators and observers. People characterized by strong thinking orientation are likely to be good negotiation analysts. Finally, action-oriented people are often best suited to claim value in challenging deals.

After negotiation

8. Agreeing on a post-agreement agreement

Would you consider an agreement that has been signed as final and, therefore, unmovable, or would you, on the contrary, be open to revisiting it? Well, you could consider asking your key customer, "Is there any way we could make our agreement better for both of us?" This is referred to as post-settlement settlement in negotiation,⁷ and it is a concept that involves revisiting an agreement that has already been made to optimize it further. Vendors and their strategic customers often engage in long-term contracts, and the conditions present when the contracts are signed may no longer be relevant after some time. Therefore, in such circumstances, a clause could be agreed upon to revisit the deal if the adjusted one leaves both parties more satisfied and better off than in the previous agreement.

9. Invoking negotiated contingent agreements

Value-based negotiation is built on the assumption that the promised value will be realized. Several circumstances could combine to prevent the potential value from being accomplished. In these circumstances, contingent agreements can be established. In other words, contractual arrangements or provisions may depend on the occurrence or non-occurrence of specific future events. These can be contingent liabilities, performance-based bonuses, or insurance agreements. Another common form of contingent agreement is earnouts: the purchase price of a business is contingent on the future performance of the acquired company. For instance, if you were negotiating on behalf of an electricity company, you could agree with a supplier of wind turbines, such as Siemens Gamesa, on specific commercial terms and conditions based on the performance of the installed turbines.

10. Reinforcing the "signature" qualities of value-based negotiators

I have argued that value-based strategies are among the most effective approaches to sustaining negotiation effectiveness

with strategic customers. Short-term financial and operational pressures may mean that both suppliers and customers find it difficult to consistently exhibit value-based negotiation behaviors. Thus, following a negotiation and in preparation for the next one, the following behaviors need to be reinforced:

- **Creativity:** Identifying shared interests, exploring joint ventures, or finding mutually beneficial trade-offs.
- **Flexibility:** Demonstrating adaptability in their approach. Value-based negotiators are willing to adjust their strategies based on new information, changing circumstances, or unexpected developments during the negotiation process.
- **Innovative thinking:** Approaching challenges with a problem-solving mindset, relentlessly exploring alternative solutions, and being open to creative ideas that meet all parties' interests.
- **Transparency:** Openly declaring constraints and genuine interests.

As previously mentioned, certain behaviors enable the surfacing of hidden value drivers that can supersede the value of the negotiated items. The ten guidelines described above, when implemented regularly so they become a habit, will help in designing and delivering negotiation processes to enhance mutual value in deals with strategic accounts. ■

¹ Gil, N. (2009). Developing cooperative project client-supplier relationships: How much to expect from relational contracts? *California Management Review*, 51(2), 144-169.

² Rackham, N. (1999). The behavior of successful negotiators. In R. J. Lewicki, D. M. Saunders, & J. W. Minton (Eds.), *Negotiation: Readings, exercises, and cases* (3rd ed.). Irwin.

³ Almquist, E., Cleghorn, J., & Sherer, L. (2018). The B2B elements of value. *Harvard Business Review*, 96(3), 18.

⁴ Lax, D. A., & Sebenius, J. K. (2006). *3-D negotiation: Powerful tools to change the game in your most important deals*. Harvard Business Press.

⁵ Malhotra, D., & Bazerman, M. (2007). *Negotiation genius: How to overcome obstacles and achieve brilliant results at the bargaining table and beyond*. Bantam.

⁶ Belbin, R. M., & Brown, V. (2022). *Team roles at work*. Routledge.

⁷ Raiffa, H. (1982). *The art and science of negotiation*. Harvard University Press.

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