



## Handling a sole source contract Negotiating When You've Given Away Your Power

BY LINDA WOLSTENCROFT

Canada has stated that it will purchase 18 Super Hornets from Boeing. Even though this is an interim solution to the longer-term question of replacing the CF-18s, it's still a huge purchase. It's a huge decision to use taxpayer money and increase Canada's national debt without using the usual tool of using a competition to ensure Canada is getting the best possible deal.

Certainly, the decision to purchase on a sole-source basis wasn't taken lightly. And although it may be easy to criticize, without knowing the full rationale of the decisions made, one would simply be hypothesizing. There very well could have been a decision analysis that politically made sense and was indeed in the best interest of Canada. The takeaway on this is that most of us simply do not know.

But now Canada stands in a position to negotiate a sole-source contract. It's an expensive deal that is being watched closely.

Canada has been here before. The C-17 aircraft, the C-130J aircraft, and the CH-147F Chinook helicopters have all been purchased without holding a competition. The prices paid for these aircraft were high and many Canadian companies were left out of work that would have traditionally been theirs. But, from these procurements, lessons were learned that resulted in efforts to improve our government policy and the procurement process.

The situation that Canada is in is not unlike any other business situation that we have found ourselves in. Many Canadian firms try to win work on large projects, but the power equation is typically unbalanced. Usually, there is one company who is more powerful than the other, either because the

contract is sole-source, or because one party is simply larger and more powerful.

If you find yourself in the weaker position, the first thing to do is to find your power. This is so that the negotiation can be held on a more level playing field and you are less likely to be taken advantage of.

Think about this as an individual. Many people in an unhealthy work or personal relationship "give up" their power to the other. This is when we allow others to walk all over us. The same can be said for negotiating in business: those in the power position can wield their power by charging more and imposing risks to the weaker party. Although this is unfair, it is common practice and the weaker party needs to combat that.

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It is critical to understand this at the outset of a negotiation. While everyone is playing nice at the beginning, early friendliness may not mean that there is a win-win strategy with the more powerful party at the end. While the friendly overtures are probably well meant, that's all it may be – nothing more.

Every day, deals where one party has more power than the other means that the powerful party can take advantage of the other if not held in abeyance.

The best mitigation for this is to have a plan "B." Often, the more difficult decisions (such as price and liability) are left to the end because they are too difficult to solve. Depending on how they are finally solved, these items can mean the difference between a win-win deal and a win-lose deal.

Powerful organizations can make attractive promises early in the relationship that don't come out as advertised in the end. Therefore, it is important to make sure you are not left without any options. This is where the plan "B" comes in.

To make a plan "B" a reality, it's not enough to threaten. Real work must be done to make the plan "B" real. For example, just because you have made the decision to negotiate a sole-source major contract (such as is the case for Canada), other options should be kept open:

- Is there a way to live with the status quo for longer?
- Can we develop a competitive solution?
- Is there a way to reframe the situation so that a competition can be held?

Obviously, there are political ramifications but the plan "B" still should be considered. The best of these options must actually be worked on – not just talked about. It may seem like a waste to do this, but in the end the benefits of having something to hold up to the power party will far outweigh the worst possible outcome of paying too high and not getting the best terms.

And if one is in the position to win work from a powerful organization, put your eggs in more than one basket. Develop other business in addition to the business you hope to win from your powerful customer. Who knows, you may be successful and have an even better problem – that wonderful condition of growing your business with contracts in hand.

Keep an open mind and be creative in making the best of a situation during a power imbalance. Don't accept win-lose results, but work toward a win-win situation. After all, in the long term, working together brings more value to our industry and our world than working against one another.

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