

Now or never

Deadlines can help negotiations

Question:

Is it smart to use deadlines to close a deal?

Response:

While there is no one perfect strategy for closing a deal, using a deadline can be effective in certain situations. Every negotiation is unique, even when you are dealing with a person you have negotiated with before. Factors change from one negotiation to another that can sway how a negotiation unfolds. Emotions, moods, risks, alternative options, new players that enter the picture, location and many other factors all contribute to how an agreement is reached.

With that in mind, here are some general situations where employing a deadline is an effective strategy:

Using a deadline to close a deal is advantageous when little progress is being made to reach an agreement.

When you communicate your deadline, real or otherwise, you are imposing an ultimatum with the intent to force a decision. Before employing this strategy, be sure to take into account the consequences of taking such action. Are you prepared to walk away and let this negotiation fail? The answer to this question often rests with what other viable alternatives you have available. If you have at least one option that is acceptable, then employing a deadline can be the trigger that breaks the holding pattern. If, on the other hand, this is your one and only viable option, are you willing to risk it all?

In some situations, the best and only option is "yes," and you walk-away and let the negotiation fail. This happens most often

when there is a gap between the supplier's proposed price and the client's desired cost. If the gap appears irreconcilable, it is generally in the supplier's best interest to walk away from an opportunity rather than undercut their profit margin. Obviously, this is easier to do when the balance sheet is healthy and money is in the bank, as opposed to being on the verge of bankruptcy.

The benefit of setting a deadline is that, in the short term, it sets a precedent that can improve the supplier's leverage position down the road. For example, if you have a prospect that decides to go with the low-ball competitor and their experience is less than satisfactory, when they call you to bail them out, you have a great deal of leverage when it comes to negotiating the price for your products/services.

When a negotiation is stalled dead-center, to impose a deadline can break the stalemate.

It forces the other party to make a decision or live with the consequences of indecision. Unfortunately, some people walk away disappointed because they mistakenly think that by enforcing a deadline, it would speed up the process of getting what they want. In most cases, it simply results in neither party getting what they want, but rather, settling for what they can live with.

You also could impose a deadline when prolonging a negotiation impedes your ability to deliver the goods.

For example, the customer wants delivery on a product beginning in five weeks. You know you have a four-week lead time. To allow the negotiation discussion to continue another week or two will undermine your ability to meet the customer's desired expectations. Don't let your desire to make the sale compromise your ability to be set up for success.

When deciding if imposing a deadline is the correct strategy, ask yourself, if the date passes without a response, are you prepared to walk away? There are some who would

say that even after a deadline has passed, there is no reason why you can't go back and reopen the negotiation. I do not agree with this philosophy. Unless you have a convincing reason for negating the initial deadline, you will accomplish nothing except undermining your credibility and weakening your negotiating position.

Good negotiators don't let the time pressures of deadline force them into accepting unreasonable terms and conditions. So be mindful that while you might gain some advantage from imposing a deadline, if you press your luck too far, it might backfire on you.



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