
Knowing When to Walk Away

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No matter the value of the deal, there is always a point at which you'd be better off by pursuing other alternatives—by walking away. However, due to emotional pressures, analytical complexity, and other factors, knowing when to walk away isn't easy, especially if you perceive that your job or reputation is on the line.

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In every negotiation there is a point at which you would be better off if you walked away. But walking away from a deal is easier said than done—especially when you feel the weight of a supply chain on your shoulders.

The good news is that if you prepare thoroughly, you can know when to negotiate and when to walk away without losing the support of your organization.

Surprisingly, learning when to walk away begins long before the negotiation. And although it's simple, most negotiators ignore these essential steps:

- Clarify Your Mandate
- Identify Your Organization's Interests
- Estimate your BATNA—and the Other Side's BATNA
- Distinguish "Walking Away" from "Walking Towards"

Clarify Your Mandate by Identifying Your Organization's Interests

Imagine that you're about to renegotiate a contract with a key commodity supplier. You might be focused primarily on price since it affects your other purchasing decisions. However, your VP of Sales may prefer ensuring increased product availability (at the expense of price) to support the next quarter's sales goals. Further, other decision makers may care about different issues entirely.

As a negotiator, you must clarify your mandate during your early preparation by determining to whom you are accountable, and by identifying and ranking your organization's interests. Think of this as an internal negotiation. (Use the [attached Checklist](#) to guide you.)

First, ask yourself, "Who is affected by this negotiation? To whom will I report?" Think of these stakeholders as your team, whether or not they participate with you formally during the negotiation. Once you have identified your team determine what each person wants from the negotiation and why.

This process will reveal a map of your organization's underlying interests.

Second, draft and circulate to your team a ranked list of your organization's interests, putting the most important at the top.

Finally, seek feedback. Your VP of Sales might insist that her interest be the top priority—in which case, you can adjust your list and verify it with the team. Or she may acknowledge that other needs trump hers and that the sales team can meet its goals by other means.

Unearthing interests can be tricky—sometimes a purchasing agent might face a department head who drives poor purchasing decisions because the department head favors personal or departmental interests. Plan on repeating this discovery process until your team agrees on the organization's interests and their order of importance. If you don't go through the process of forcing the organization to clarify its interests, you can't know what a "good" deal will look like.

This process will help you in at least two important ways: 1) you'll gain insights into how you might satisfy as many of your organization's interests as possible; 2) your team will have objective criteria for understanding your decision making if you must eventually walk away.

Estimate your BATNA—and the Other Side’s BATNA

Your next task is to estimate your Best Alternative To a Negotiated Agreement (BATNA)—or, in other words, specifically “what will happen” if you walk away.

What will you do if the negotiation fails?

“I guess we’d look for an alternate supplier” is not a BATNA, at least not a good one. Your BATNA should be a concrete, complete articulation of your next-best plausible alternative: “If this negotiation fails, we would purchase component X from company Y at price Z, based on the estimate we just secured.” If you can’t articulate your BATNA, you have work to do.

You should never accept a proposal that is worse than your BATNA. Thus, your BATNA becomes both a safety net and a lever in your negotiations.

Take care, however, to include variables such as time value of money and value of relationship into your calculations. Negotiators often overestimate their alternatives—so rigorous, honest analysis will give you a critical reality-check.

Walking away from the table without knowing where you’re going—without really knowing your BATNA—is the worst risk you can take. Don’t let this happen!

Your power at the negotiating table is partly a function of the quality of your BATNA—the better you can make your next-best alternative, the better your position. Spend preparation time improving your BATNA.

Having some idea of the other side’s BATNA can be another source of power. For every minute you spend calculating your BATNA, try spending two minutes estimating the other side’s BATNA. What would they do if the negotiations fell apart? How can you find out? Once you develop a clear picture of their alternatives, you should begin to see a range of possible agreements between your BATNA and theirs. If you each have a good alternative, you’ll need to work particularly hard to meet one another’s key interests.

Well before you get to the table, be sure to share your estimates with your team. Test possible

scenarios with them. You might say, “Based on my calculations, if it comes to X we should pursue our BATNA. Is that what you would do in this situation?” By building internal agreement about your BATNA and the decision-making criteria that would trigger a walk-away, you are laying the groundwork for a graceful exit if you cannot meet or exceed your BATNA at the table.

Finally, help your team differentiate aspirations, benchmarks, and the bottom line. An aspiration is someone’s ideal outcome. A poor BATNA does not doom your team to a poor outcome. Setting high aspirations can be wise when your counterpart’s BATNA is also poor. When you ask your team what they want from the negotiation, they may pull numbers out of thin air or invent benchmarks based on anecdotes or rumors of other deals. It’s easy for people to psychologically “anchor” their thinking on benchmarks—but foolish.

Conclusion: “Walking Away” vs. “Walking Towards”

No negotiator wants to enter into a poor agreement. But similarly, every negotiator should want to walk away from an unsatisfactory agreement towards a clearly defined, satisfactory BATNA.

Walking away can be painful—the deal could be attractive or you might feel pressure to acquiesce—so you should lean on your careful preparation to know when walking away is appropriate.

By following these essential steps you’ll be able to act confidently, knowing that you’ve aligned your team ahead of time. If you must walk away, you might worry about your reputation. But if you’ve prepared your team by ranking its interests, estimated your BATNA and the other side’s, and worked to improve your BATNA, you should feel much more secure.