

# Building A Home Is Complex Enough — Imagine Expanding a Massive Production Plant!



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# Introduction

You're about to build a new home. Let's say your total project cost is \$1,000,000. The process is going to involve quite a lot of negotiation. That's a given. And, as I'm certain anyone who has had the courage to take on such an endeavor would agree, it requires considerable will power, enthusiasm, energy, and, unquestionably, supreme skill in the art and science of negotiation.

Think about it. You face negotiations with contractors, sub-contractors, suppliers, financial institutions, authorities, neighbors, your spouse, the architect, legal professionals, and probably more. At an educated guess, I'd say you will have to navigate more than 500 negotiations before that home is move-in ready.

## Scope: 2,58 billion USD

Now imagine expanding a commercial plant's production capacity by \$2.58 billion! Yes, I said \$2.58 billion. And that's US dollars.

It goes without saying that negotiation skill will be absolutely essential to the undertaking. Essential to achieving the desired final result and required level of quality, to meeting the multitude of deadlines involved, and to ensuring the substantial investment will be wisely spent. The number of individual negotiations involved — both internal and external — will be enormous, just like the project itself. I can promise you that the VP in charge will have the undivided attention of the CEO and CFO throughout. And most certainly the board's, too.

Imagine the sheer number of negotiations that will take place. Building a new home would typically require negotiating with architects, contractors and finance people. A plant expansion would also require these, but on a much larger scale. But well beyond those, there would be many, many more: with interior suppliers, unions, management, staff, legal professionals, technical experts, financial partners, and so on.

## Just a few of the things needed to prepare

- ✓ Having a competent negotiation team
- ✓ Identifying variables
- ✓ Capitalizing NegoEconomics
- ✓ Understanding the counterpart
- ✓ Establishing the negotiation strategy
- ✓ Establishing trust
- ✓ Avoiding unilateral concessions

## Assembling the team

Assembling a competent negotiating team with all the necessary technical knowledge and world class negotiating skill takes a toll. Finding an individual who is, for example, a brilliant biochemical engineer and a great negotiator as well — capable of thinking with the “nerdy” technical details and commercial wizardry at the same time would be like locating the proverbial needle in the haystack. Yet that’s what must be done.

Even just identifying all the variables involved in building a house is remarkably complex. Financing, timing, payments, coordination, deadlines, materials, logistics, delivery, etc. Just offhand I would estimate more than 200 variables could easily be named.

But considering a multi-billion-dollar plant expansion takes one into a whole new league. I get dizzy just thinking about the number of variables in play, and the NegoEconomic (Negotiation Economics) potential they offer. The inherent asymmetric values would be truly enormous, and the task incredibly exciting for any negotiation expert.

## Missteps easily costs hundreds of millions

Look at what will have to be done: Establishing the negotiation strategy for the project. Listing the variables. Identifying potential areas for NegoEconomic gains. Assembling the negotiating team. Naming the team leader, notetaker and calculators. Establishing a mandate. Understanding the negotiating counterparts, with their own costs, values, risks, liabilities, and interests. Knowing one’s own costs and values for each and every variable.

Preparing the questions to be asked, and the answers to the questions one can anticipate. Agreeing on the rules of the game, internally and externally — how one wants to conduct the negotiations. Establishing the level of openness between parties. Establishing trust. Setting agendas. Knowing one’s own targets, opening points, and thresholds of pain. Being aware of the different phases of the process. Being conscious of body language in face-to-face negotiations. Knowing when to negotiate virtually, and when only face-to-face meetings will do. Appropriate use of visual aids. Monitoring one’s own negotiating behavior, and the counterpart’s, too. Closing details. Avoiding unilateral concessions. The list goes on and on, quite literally.

An improper set-up or missteps along the way could easily cost hundreds of millions in delays, penalties, and missed opportunities.

## It's the real deal

As I'm sure you have guessed, the project I've described here — a multi-billion-dollar plant expansion — is not theoretical. It is about to be embarked upon by Novo Nordisk, the multinational pharmaceutical giant headquartered in Denmark. With the important launches of its oral diabetes drug, Rybelsus, and an anti-obesity medicine, Wegovy, the company's only challenge, it seems, is meeting soaring demand.

The Danish drug maker has revealed a move designed to help meet that challenge: it will be investing \$2.58 billion in expanding its production capacity. The project is expected to be complete in 2027. Concurrently, Novo plans to add 400 jobs to their Kalundborg site, which already employs 3,200.

The company also recently completed a \$2 billion API facility in Clayton, N.C. And, in nearby Durham, the company will soon open an oral-finished-products facility it purchased in 2019 from troubled Purdue Pharma.

## Remember:

The skillset of a great negotiator is a different skillset that is required from the architect, engineer, project or contract manager and legal professional.

The great negotiator is not created alone on experience but is an education adding the skillset to the toolbox already established.

### Take aways

- ✓ Focus on your negotiation team and strategy
- ✓ A great engineer, architect or chemist are not automatically a great negotiator
- ✓ Look for variables that generates NegoEconomics
- ✓ Invest in coaching and training with the science of negotiation
- ✓ Use checklists

## Conclusion

Negotiation comes in many forms and shapes. Negotiation doesn't end at the signature of the contract, but often continues into implementation and delivery.

Investment in negotiation skills is a wise choice. creating a uniformed behavior and language for the negotiation team.

Remember, it's at the negotiation table that value is being lost or created.