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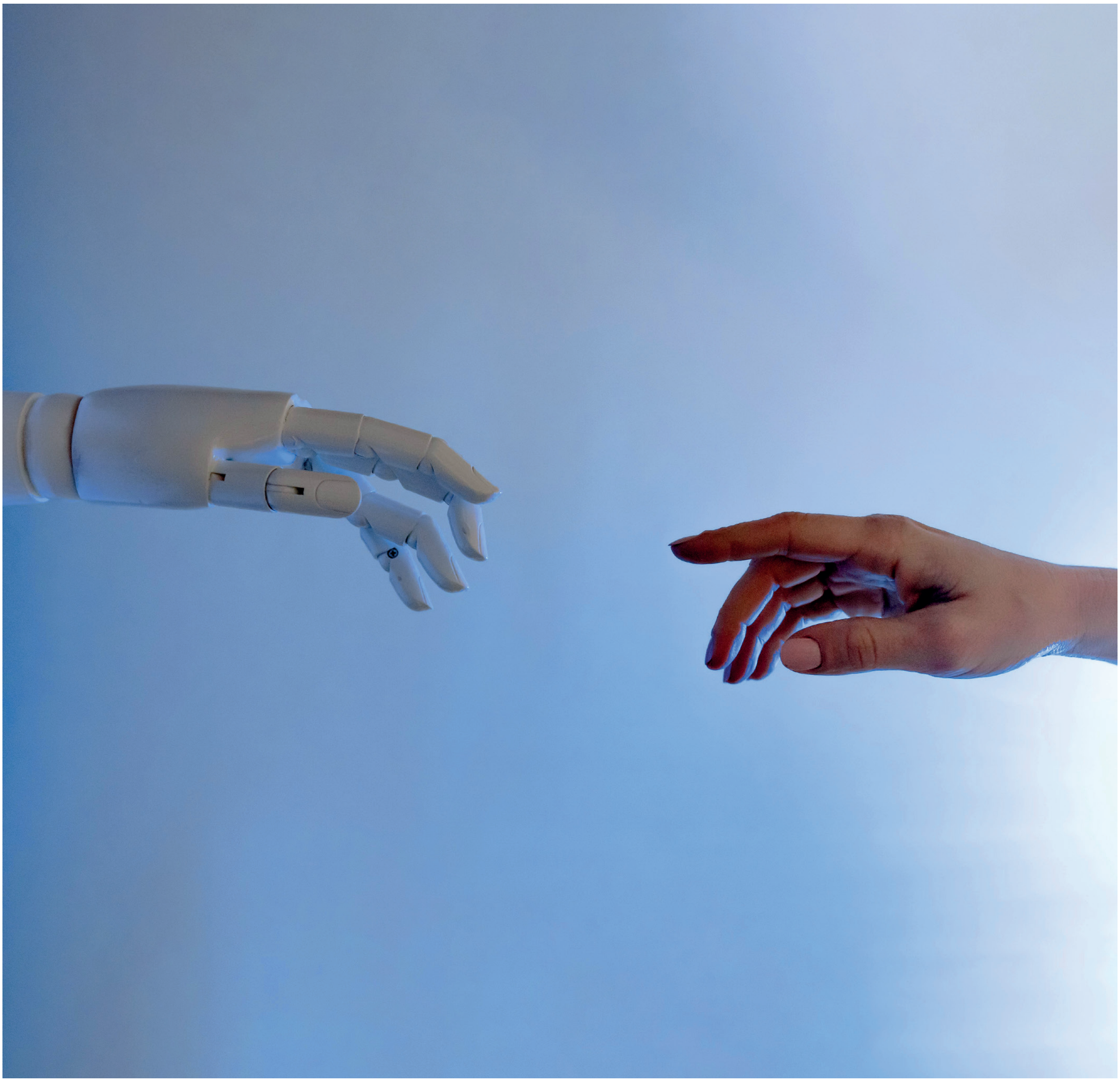

IN THIS ISSUE

Welcome to the summer issue of The Competitor.

Artificial intelligence is changing the way we work in procurement and negotiation — but differently than the headlines suggest. It reliably takes over the execution: researching, calculating, drafting. What it does not take over is judgment.

That is exactly what this issue is about. When execution becomes a given, success is decided where humans continue to make the difference: in preparation, in strategy, in reading the situation.

Three articles approach this idea from different directions:

In the first article, Marcel Engelhardt shows how professional target setting in procurement negotiations is done — from a defensible anchor through BATNA and planned concessions to the commitment value. Good outcomes are not created at the table, but in the preparation.

The second article understands strategy as negotiation: following Felix Oberholzer-Gee, a company's strategic position can be read as the result of its negotiations with customers, suppliers, and employees — with two levers that underlie every strategy.

The third article explains why AI levels performance yet spreads pay — and why the value of human work grows precisely where judgment is required.

I wish you a stimulating read and, as always, look forward to your feedback and thoughts.

Christoph Pfeiffer

Professional Target Setting in Procurement Negotiations

BY MARCEL ENGELHARDT

Many procurement negotiations begin with a seemingly obvious objective: “We want to push the price down as far as possible.” What appears logical at first glance is, in practice, neither professional nor sufficient. Successful negotiations are not based on spontaneous demands but on a systematic target architecture that is defined before the first meeting and that all stakeholders must sign off on. This creates clarity and alignment on the negotiation objective and opens up a wider tactical spectrum.

Anchor / Opening

A frequently overlooked aspect here is the role of classic anchoring. In typical procurement negotiations it is not procurement that sets the first anchor, but the supplier with its initial offer. Procurement reacts to it and develops a well-founded counterposition. This should not emerge from gut feeling but be based on a robust counter-calculation, a potential analysis, or a shadow calculation. Only then can the demand be credibly defended vis-à-vis the supplier. Because the first question is usually: “How did you arrive at that figure?” Without a comprehensible rationale, the anchor quickly loses its effect and the procurement team is forced onto the defensive. In preparing the negotiation, this anchor should therefore be defined first. It describes the maximum defensible demand — based on factual arguments and ambitious, yet credible. What is decisive is that the demand is not chosen arbitrarily but can be supported by facts and arguments. Rules of thumb suggesting that one simply add another 50% on top of the actual target value are useless.

Settlement Target

In addition to the ambitious target value, every negotiation then needs a realistic target. This target describes the outcome that is internally regarded as a success. It often represents a somewhat more conservative variant of the potential analysis and serves as the central point of reference during the negotiation. This prevents negotiators from deviating from their strategy in the heat of the moment or being swayed by short-term arguments.

BATNA

Equally important is defining the BATNA (Best Alternative to a Negotiated Agreement). It describes the best alternative if no agreement is reached. From a procurement perspective this could be, for example, an alternative supplier or a different technical solution — in rare cases even the option of not buying at all. The BATNA also defines the personal pain threshold, the "walk-away value". If the outcome of the negotiation lies above this threshold, walking away from the deal is often the better decision.

Concessions

Another essential component of the target architecture is planned concessions. Professional negotiators determine in advance which concessions are possible and under which conditions they will be granted. The rule is that concessions should be larger at the beginning and become smaller and more specific as the negotiation progresses. At the same time, they should always be tied to something in return. Beyond price components, monetizable negotiation elements such as warranty periods, guarantees, payment terms, or supply chain finance solutions can also be brought into the negotiation. The exact "trading options" should be known beforehand. For example, it should be agreed with accounting or finance how much price reduction one must demand in order to reduce the payment term from 60 to 30 days. This is where genuine win-win opportunities can be discovered — for instance, when the supplier urgently needs liquidity.

Commitment Value ("Take-it Offers")

From a game-theoretic perspective, the so-called commitment value is particularly interesting. Here, an internally agreed price is set before the negotiation at which the contract can be awarded immediately once it is reached. This tactical element is both rational and psychologically highly effective. From a game-theoretic point of view, it creates a strong incentive for the supplier to accept the offer, since reaching the commitment value results in a binding contract. The uncertainty of further negotiation rounds disappears, and later renegotiation is ruled out. The supplier thus receives a clear and credible benefit in return for its direct concession.

Professional target setting therefore means far more than defining a desired price. It encompasses the definition of a defensible anchor, a realistic target value, a clear BATNA, planned concessions, and a commitment value. Only the interplay of these elements creates the foundation for a structured, credible, and successful procurement negotiation.

Strategy as Negotiation

Based on Felix Oberholzer-Gee, “Better, Simpler Strategy” (Harvard Business Review Press).

A company’s strategic position is nothing other than the result of its negotiations — with customers, suppliers, and employees.

Strategy and negotiation are usually thought of separately: strategy is long-term and analytical, negotiation short-term and tactical. Harvard economist Felix Oberholzer-Gee shows with his value-based strategy approach that this separation leads us astray. Every financial success is the result of implicit or explicit negotiations: a company creates value — and then negotiates over what share of it it gets to keep. Those who understand strategy as negotiation gain a surprisingly concrete lever for their own positioning.

The Value Stick: Value Emerges Between Two Boundaries

At the center is the so-called value stick. Its upper end marks the customers’ willingness to pay (WTP), its lower end the willingness to sell (WTS) of suppliers and employees — the point at which they are only just still willing to provide their goods and services. In between lie the actually realized price and the costs. The total value created is the difference between WTP and WTS. Everything that happens within this range is distribution — and distribution is a matter of negotiation.

Two Levers — There Are No Others

From this follows a radically simple insight: a company can create value in only two ways. It raises its customers’ willingness to pay, or it lowers the willingness to sell of its suppliers and employees. Higher WTP comes from a better product, a stronger brand, or lower risk for the customer. Lower WTS arises when working with the company becomes more attractive for suppliers and employees — not only through price, but through reliability, volume, predictability, or reputation. Both levers widen the range that is subsequently negotiated over.

Every Stakeholder Relationship Is a Negotiation

This is exactly where the strategic character becomes visible. With customers, the company negotiates over the difference between willingness to pay and price; with suppliers and employees, over the difference between costs and willingness to sell. The value the company itself keeps is the difference between price and costs. The strategic position is thus not an abstract point on a map but the sum of many concrete negotiation outcomes. Those who master their negotiations with their most important stakeholders shape their strategy — not the other way around.

The Largest Difference Wins

Oberholzer-Gee's central message is: the most successful companies are those that create the largest value differences — not necessarily the largest market shares. Customer value is the gap between perceived value and price, investor value the gap between return on capital and cost of capital. Strategy work therefore means working deliberately on WTP and WTS instead of getting lost in activities that move neither of these two boundaries.

What This Means for Procurement

For procurement, the approach is immediately applicable. Supplier negotiations do not aim solely at a lower price but at the supplier's willingness to sell — and that can be influenced by far more than price. Longer contract terms, reliable purchase volumes, faster payment, or joint process improvements can lower a supplier's WTS while at the same time increasing its surplus. This is the bridge to the professional target architecture from the first article: those who know their concessions and tie them to reciprocal considerations distribute the value range deliberately — instead of leaving it to chance.

Conclusion

Thinking of strategy as negotiation turns an abstract positioning question into a series of concrete, shapeable conversations. The value stick provides the map: it shows where value is created and where its distribution is decided. The real strategic work begins where a company understands with whom it negotiates about what — and why.

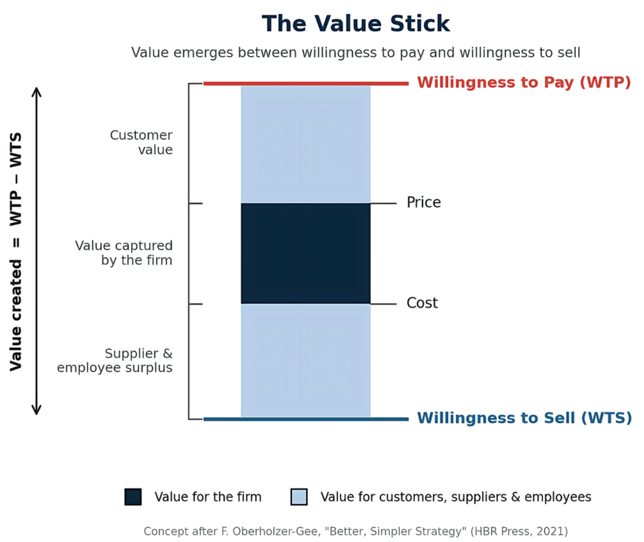

Figure 1: *The value stick — value emerges between willingness to pay (WTP) and willingness to sell (WTS). Concept following Oberholzer-Gee.*

When AI Levels Performance but Not Pay

Based on a recent Competitio working paper (Pfeiffer 2026, "When Leveling Performance Doesn't Level Pay").

Artificial intelligence makes us more alike in execution — and shifts competition to exactly where human judgment makes the difference.

It is one of the most robust findings of recent AI research: those who use an AI assistant get better — and, above all, the weaker performers gain the most. Within a task, performance differences between less and more experienced employees shrink. One might expect incomes to converge as well. But the evidence is contradictory: the measurable wage effects are small, and AI exposure is concentrated — of all places — in jobs that are already well paid. If AI levels performance — why doesn't the wage distribution follow?

The Decisive Concept: Openness

The answer lies in a single characteristic of tasks: their openness. Openness measures what share of a task remains at the level of human judgment once pure execution has become shared technology — that is, once it can be done by anyone with the same tools. A closed task can be fully specified and therefore automated. An open task cannot: here, judgment continues to decide.

The Judgment Floor

The more capable the shared AI stack becomes, the more the performance dispersion within a task falls — but it does not fall to zero. It falls to a floor determined by human judgment: the judgment floor. This floor is not a lower bound on pay, but on the remaining dispersion — and it is higher, the more open the task. For closed tasks, AI compresses the differences almost entirely; for open tasks, a substantial, judgment-driven residual remains.

Why Inequality Can Still Rise

Now a second effect comes into play: work migrates. When AI takes over the execution-heavy tasks, human work shifts toward the open tasks — to where the judgment floor is high. On each individual task, AI has a leveling effect; but because employment shifts toward the dispersion-intensive tasks, dispersion across all tasks can rise. Not although, but because AI levels.

When Pay Is a Tournament

The strongest lever comes from the way pay is determined. In many markets, compensation is rank-based: promotions, reputation, mandates, winner-take-most dynamics. Whoever is ahead earns disproportionately. Once execution has become an everyday technology, rank is decided by judgment alone. Thus the very differences in judgment that set the judgment floor also determine the distribution of the surplus — and wage dispersion rises most where human work remains most relevant. AI does not create the tournament structure. It changes the stakes with which the tournament is played — with judgment instead of execution.

What This Means for Companies

For practice, a clear direction follows. Execution competence is becoming a commodity — available to everyone, at the same price. Differentiation and compensation are shifting to judgment: the ability to structure problems, read situations, and decide under uncertainty. In procurement and negotiation in particular, this is immediately tangible: research, calculation, and drafts are increasingly taken over by the machine; the difference is made by whoever designs the strategy, chooses the mechanism, and reads the counterpart. Those who invest in judgment — and develop it deliberately — secure the share of value creation that AI does not level away.

Conclusion

The intuitive worry that AI will make everyone more alike — and therefore equally paid — falls short. AI levels execution — and shifts competition to judgment. Where humans are still needed, the differences grow larger, not smaller. The strategic consequence is the same as in this issue as a whole: the human edge no longer lies in the doing, but in the deciding.

This article summarizes a working paper by Christoph Pfeiffer (Competitio Consulting, 2026).

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Questions, feedback, criticism, topic ideas, or new subscriptions?

We look forward to hearing from you at
newsletter@competitio.de

The next newsletter will be published in the third quarter of 2026.