

Practical Negotiating

Negotiation is the process by which we obtain what we want from somebody who wants something from us. It is as simple and as complex as that. Defining negotiation as a 'compromise, only obscures its essential essence as an exchange of what you want for what the other party wants.

People who like the idea of compromising (because they cannot abide with conflict) do not make good negotiators, and people who need to compromise (because if they remain stubborn the stakes are horrendous) do not choose to negotiate. So, the first step to better negotiation is to stop associating it with compromising.

You do not have to 'give in', 'give up' or 'give it away'. To think in such terms is to misunderstand the purpose of negotiating. It sees the voluntary act of negotiating as a near substitute for averting - or inducing! - a rip-off. It invites the shadowy presence of threats, or the reality of coercion through mild sanctions right up to violence.

The confusion leads to the sort of self-imposed impasse that managers bring upon themselves when they demand 'no negotiation under duress', which usually serves to prolong the duress. Negotiation is an alternative to duress in its own right and not a reward for desisting from duress (a point completely missed by politicians in Ireland).

If you do not have to 'give in', etc., what do you do? Stand firm? Never move? Force them to give in, give up and give it away?

Absolutely not!

Sure, you can force them - we are back at violence - but that is not negotiating. Negotiation is different, remember? It starts from different premises, holds to different values and engages different behaviours.

Most negotiators start from what they want, be they tangibles like money, goods, or services or intangibles like access, security or freedom. They then jump straight to negotiating with the people who can give

them what they want. Sometimes that is enough, often it is not.

The company buyer wants components to process into outputs to sell to other buyers. The company seller wants customers to buy components. Surely, an easy transaction? Unfortunately not. Both buyer and seller jump to their negotiation without considering their interests, or worse they consider their interests to be some version of 'buy cheap' or 'sell dear'.

Hence, the well known 'negotiation' theatricals of the buyer believing that as the seller has obviously padded the price, the buyer's job is to attack the price until it falls. To this end, buyers play the game of Indifference to the product's virtues, scepticism about the supplier's credibility, and resort to hinting about the 'competition'.

Buyers attempt through pre-emptive domination to coerce the seller into submission. Nobody knows of a successful 'blue' buyer (one who prefers to give more than they take). Pre-printed contracts, pre-conditions of doing business, onerous warranty terms, high levels of liquidated damages, tenders only and such like are backed by aggressive, unfriendly, suspicious and nonsense behaviours that aim to put sellers in their place. Successful buyers, on this model, are 'red' (they prefer to take more than they give).

What of the sellers? Are they the victims of unscrupulous buyers? Or have they evolved a shoal of counters to cope with the buyers they meet?

Yes they have, unfortunately.

Expecting price challenges, they pad their prices, create unique features with tasty benefits, ooze synthetic charm and sell with phoney confidence. Nobody knows of successful 'red' sellers because they play at pretending to be 'blue' ('have I gotta deal for you today!').

Sellers shape the deal with permutations of discounts (volume, early order, loyalty, special offers, end of stock, introductory, new product, joint purchase, anniversary, retrospective, two-for-one, clearance, and others only limited by their imagination) and premiums (late order,

Special delivery, maintenance, parts not labour, labour not parts, one-offs, off list, old model, and the infamous 'add-on' (you only paid for the 'basic' box and everything else is an added 'extra').

To negotiate in this environment is a battle of wits. The seller strives to survive the buyers' domination; both buyers and sellers jostle for supremacy during the shaping phases and whoever 'wins' there, goes for the coup de grace in the pressure close ('take it or leave it', 'Now or never', 'you must do better', "that's the absolute best I can do", etc.,).

But what has this got to do with your interests?

Depends on how you see your interests. You take a big risk in this environment if their supplies are a large or crucial element in your output. Your customers judge of the quality of your suppliers. Being let down by the cheapest supplier of a component does not play well, whatever the disarming charm of your customer services department.

In a negotiation with a global air courier service, what are your interests? The lowest possible price? Perhaps. But what of the certainty and security of delivery for high value components from Europe to Asia? How much of a premium is that worth over the 'cheapest' price? If your interests are in absolutely safe delivery of your time-critical components, then prioritised that above price. Concentrate your negotiations on those issues that deliver your priority interests and not on knee-jerk spasms over the less important though headline tangibles.

Take the case of a firm at the frontier of technology which supplies cultures for an agricultural product to a major player in the biotechnology business. How important was price in their negotiation?

Judging by the time spent on it, quite a lot. But as nobody asked about their interests, it was not clear that price was the main issue. Sure it was important because revenue minus costs equals profit - for both of them!

Neither firm, however, knew the profit-cost equation of the other and neither could determine by how much it was worth to the other to negotiate on other issues

besides price that would deliver their unstated interests.

For example, how profitable was it for the customer to consider supporting by a higher price some promising r&d that the supplier was considering. If this r&d enhanced the properties of the cultures they supplied, it could make the products sold by their customer more profitable per unit and by volume as their market share rose.

The problem was that interest-based bargaining of this kind cuts right across the usual 'negotiation dance' over price. Could either side trust the other not to abuse the sensitive price, profit and cost information that would need to be disclosed to reveal the value to each of them what the r&d promised? But unless they examined their interests, they could not even ask the right questions. Therefore they continued to negotiate on price in the usual manner.

Interests are the motives that cause you to want something. They are the basic hopes, fears, concerns, aspirations and ambitions you have for wanting or doing anything. They are why you negotiate, though what you negotiate about in practice may not be the best way of delivering your particular interests. Considering your interests may produce other issues that can deliver your interests more effectively

Negotiable issues are the agenda items in the negotiation. They express what you want from the other party and you what you want by negotiating an agreement with the other party who wants something in exchange from you.

Quiz:

1. Interests are:

- A) whatever you want?
- B) what interests you?
- C) why you want something?
- D) what is good for both parties?

Issues are:

- A) anything you want to talk about?
- B) whatever you attempt to negotiate?
- C) whatever is jointly decided?
- D) high priority subjects?

Answers to quiz:

1.

A) no. You could want to drink unlimited quantities of alcohol which may not be in your interests.

B) No. Something can be interesting without being an interest.

C) Yes. They motivate you: employees want higher living standards (their interests); the negotiable issue is their remuneration (how much?); companies seek to survive (their interests) by earning higher profits (how much?).

D) no. Interests can be in conflict: higher living standards may force a company into bankruptcy.

2.

A) no. You can talk about weather but cannot negotiate the sun to shine.

B) No. It may be non-negotiable.

C) Yes. Each party has a veto on what is decided by negotiation. These decisions are the negotiable issues.

D) No. Too restrictive. You can have low priority issues too.

Most people who negotiate are untrained. If they think about negotiating at all, they repeat the attitudes that guide their behaviours but, sadly, many of these attitudes are plain wrong. They fail in practice, they are unhelpful responses, or they are easily disrupted by negotiators who think and do the unexpected.

People, usually, are either red 'takers', who see their negotiating partners as 'opponents' or they are blue 'givers', who see other negotiators as 'friends'. Many negotiators alternate between taking and giving because they cannot decide which behaviours get them what they want.

Some wrong red attitudes

'I don't reveal my true feelings because opponents will take advantage.'

'If other negotiators give me an opportunity to take advantage quietly, I do so.'

'Look after your own interests and leave opponents to look after theirs.'

'If they buckle under my pressure, I push harder.'

Some wrong blue attitudes

'Building a relationship is more important than pursuing my interests.'

'I am always more accommodating if the relationship is important.'

'A marginal deal is better than no deal.'

'I am worried about rejection.'

To break the impasse, you need an alternative that works in the real world. Amazingly, when the alternative is revealed, many negotiators react in disbelief: 'is that all? Surely there must be more to it than that?'

Fortunately, by practising the alternative you may wonder why recognizing it took you so long.

Typical you start with the 'obvious' issue. If it is buying or selling, your focus on the price; if it is a dispute, you search for the guilty; and if it is a deal, you boil it down to wifm ('what's in it for me?').

Adam Smith, over two hundred years ago, advised you to seek your dinner from the butcher, baker and the

brewer by appealing to their interests and not to their benevolence. Scores have denounced Smith over the years for his remarkable insight, demonstrating they misunderstood his point.

Appealing to someone else's interests is not selfish. Quite the opposite. It is through selflessly serving someone else's interests that you induce them to serve yours. When both negotiators volunteer to say 'yes', they do so because they are satisfied that it serves their interests.

By jousting over the price, or by imputing blame, or by reducing business to 'wifm', you forgo the chance to serve their interests in exchange for them serving yours.

An interest is the reason 'why' people want what they want. It motivates them to negotiate. Hence, ask 'why' they want something. And, if necessary, keep asking 'why', right through the chain of their motivations.

Employees want higher wages (a negotiable issue) because they want higher living standards, more choice, security from debts and so on. If their wages rise, they deliver their interests. The question is not just how big an increase, but what do they give the employer in exchange?

Crucially, higher living standards can be delivered variously by combinations of higher wages, regular earnings, consolidation of irregular payments into basic rates, access to training in new skills, non-contributory pensions, health and welfare schemes, and a host of other negotiable issues (all of which are negotiable). So is whatever the employer wants in exchange.

The airport runway

Why do some residents oppose the building of new runways? Because they have interests - noise, pollution, traffic, property values, and so on.

Millions are spent on policing ingenious disruption by militant opponents of runway building ('build absolutely nothing anywhere near here!'), who gain support because these interests are not addressed by negotiable

Proposals (how much noise, pollution, traffic management and compensation?). Those millions could be spent, instead, on a negotiated solution that gives us the runways we need (the country's interests) and the community the changes it is prepared to live with (its interests).

Sometimes, interests are completely incompatible. One 'solution' is violence. Another is to explore the negotiable issues that provide a modus vivendi. Secular minded citizens, for example, demand the right to travel noisily and skimpily (un)dressed past religious citizens who practice their devotions. There is no way in the short-term to reconcile each party's interests. Passion with tolerance is rare. But we can negotiate when, where and for how long irreligious citizens can traverse religious areas and religious citizens must look a way from what offends them.

Similarly, when we deadlock on a negotiable issue, through interests we can invent ways to break the deadlock. You want all of the profit because it's your money and you want it back (your interests); I want the profits because it is my invention and I want to control it (my interests). By agreeing to an earn-out, in which I buy back your equity with my share of the profits, you get your money back and I gain control. How rapidly I earn-out your investment is negotiable.

How do you do this? By recognising the connections between interests and issues, and being ready to switch between them, and by always proposing tentative solutions in the 'if-then' format: 'if you give me what I want

(my red demand), then i will give you what you want (my blue offer).' Combined together in this conditional way, you are both red and blue at the same time. I call this purple!

Negotiators do not concede - they trade. They focus on their own and the other party's interests. They explore what each party wants, recognizing that usually they both want different things for different reasons. Average negotiators are self-centred. They think about themselves too much. When i was a child, i could never understand why Mr. Ramsbottom, who owned the corner shop, sold chocolate. Why didn't he eat it? I certainly would have if i had all that chocolate. Self-centred thinking is a negotiator's handicap. Try wifit ('what's in it for them') instead!

How do other parties see the deal? What are they after and why? What can I trade, among all the possibilities i could influence, to induce them to deliver the things i want?

You need to search for tradables - anything over which you have discretion and which is valued by the other party. Tradables are present in every negotiation, but are ignored more often than used. I spoke the other day with a manager who made instruments which, he complained, were little different technically from his rivals and therefore his sales staff were subjected to stiff price competition.

Why then did customers buy his instruments? He thought for a while and then suggested, variously, that it was his firm's relative reliability, its maintenance response times, its policies on replacement, and the regular up-grade programmes they offered. All of these are potential tradables. They are parts of the deal and ought not to be taken for granted by the Seller - or the customer.

Instead of giving sales staff discretion on the price, give them discretion on the tradables. Identify the tradables in your business and make sure Your negotiators know about them, whether they buy or sell for you, and insist that they trade for the deal, always using the mantra: 'if-then'.

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About Professor Gavin Kennedy

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Professor Gavin Kennedy, founder of Negotiate, is a leading figure in the world of negotiation and has been involved in many high profile consultancy cases for both governments and businesses.

He has authored eleven books on negotiation, several now in their third editions and with others translated into Finnish, Swedish, Romanian, Greek, Dutch, German, Italian, Spanish, Portuguese, Chinese, Japanese, Hebrew, Arabic, and Indonesian.

He has also authored the Negotiation and Influence modules for the distance learning MBA at Heriot Watt University's Edinburgh Business School. Most recently he added to that a Strategic Negotiation Module for their new DBA programme.

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