



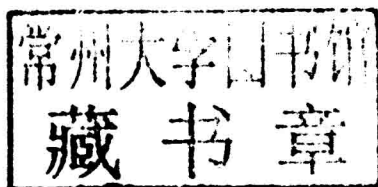
Advanced Negotiation Techniques

Alan McCarthy
Steve Hay

Apress®

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About the Authors



Alan McCarthy has personally conducted high-profile negotiations and also coached other professionals in negotiation throughout his career. He began as an award-winning salesman and negotiated at different times for Rank Xerox, Exxon, Dun and Bradstreet, US Lines, and ICL. In a career spanning more than 30 years, Alan has managed sales teams and personally sold into the financial services, logistics, automotive, information technology, and consultancy sectors.

Alan founded the Resource Development Centre Ltd (RDC) in 1987 and began training, developing, and consulting in negotiating, relationship selling, target account management, and sales team direction. For the past 15 years Alan has focused on training, developing, and coaching experienced negotiators and their executives. He has conducted more than 530 assignments in 40 countries plus 26 of the American states.

Alan's unique style and experiences in high-stake negotiations has resulted in his clients securing "win-win" results in sales, key purchases, and other types of deals. He continues to deliver successful programs to a wide variety of clients including Microsoft, Oracle, BT, and Siemens, plus a large number of smaller companies in a variety of industries. A few clients have used his techniques outside the business environment altogether—in many public-sector organizations and in such areas as international diplomatic services.



Steve Hay has been an associate of RDC since 1987. He began his career as a commercially oriented accountant and then developed a proven record of success in risk management and across a variety of projects and roles in banking, governance, audit, and supply chain management.

Steve has been successful in both the private and public sectors. His consultancy work in the United Kingdom and overseas has benefitted from his track record of driving value creation through continuous improvement and change management—dealing with negotiation, outsourcing, cultural leadership, development

and motivation of teams, and helping many senior managers to build successful careers.

The authors' joint projects have mainly been in the following areas:

- Negotiation techniques
- Finance for nonfinancial managers
- Target account planning
- Proposal writing
- Sales management audits

These projects have included negotiation workshops for sellers and for buyers of specialized services such as information technology. We have provided training and development for sales managers, improving their skills and self-confidence in finance and increasing their success in selling to people from a financial background. Our techniques for target account planning have enabled account managers to plan and then execute their strategies for winning more profitable sales of every type and across all sectors of the economy. We have also provided specialist advice and development for sales executives in proposal writing, resulting in increased sales by building and communicating compelling business cases and presenting their real benefits to clients. Our consultancy projects have included overall reviews of sales organizations, using our Sales Audit Blueprint to verify and provide reassurance of best practice and to highlight areas for improvement, helping to deliver change that assures success in meeting sales targets.

Introduction

Welcome to our book on negotiation. For 25 years across 40 countries plus 26 of the American states, the Resource Development Centre Ltd (RDC) has been helping thousands of people conduct successful negotiations of every type. Many of our clients have been businesses striving to sell more successfully. Other clients have improved their buying skills. A few clients have used our techniques outside the business environment altogether—in many public-sector organizations and in such areas as international diplomatic services.

All have benefitted from our approach to negotiation, which is best summarized by the phrase “win-win.” The first “win” refers to our own side of the negotiation and indicates that we feel the result is a win for us. The second “win” indicates that the other party to the negotiation also feels that the result is a win for them. This approach aims to ensure that all parties to the negotiation realize they have achieved the best possible results. It isn't about one party winning and the other losing. A satisfactory outcome leaves both parties feeling that they haven't compromised too much, felt threatened or unnecessarily pressurized, or made sacrifices that they didn't want to. This shared win is an important motivator for both parties to be committed to the implementation of the agreement. The RDC philosophy is centered on business ethics and a principled approach to negotiation that seeks to maximize the value of the outcomes for both parties.

Commercial Negotiation

In today's competitive business environment, the absence of effective negotiation is often the single largest contributor to the lack of success. The changing nature and complexity of the relationships between buyers and suppliers in the increasingly challenging and global marketplace means that many business people now need to be collaborative, sophisticated negotiators. To be a great negotiator is to have discipline, creativity, and courage. In working with our clients we have found that ineffective negotiation can arise mainly from the following three basic issues. Often there is a reluctance to engage in negotiation at all. Sometimes there is a simple lack of professional negotiation skills. Finally, the organization may have no adequate framework to plan, guide, and support

successful negotiations. This is a pity because, in most commercial situations we have experienced, by the time buyers enter into a negotiation they are probably going to buy and simply want to get the best package possible from the supplier.

Over the last couple of decades we have noticed some interesting changes in the approach that business people are taking to negotiation. Where it was once often seen as a potential threat to be avoided wherever possible, many businesses are now embracing negotiation as just one of many essential skills to wield in the modern commercial world. We are also seeing some polarization: at one end of the spectrum, some organizations are treating more of their requirements as commodities and using a simplified purchasing model. At the opposite end of the spectrum, many organizations are embracing strategic partnerships and expecting negotiations to carry more value, complexity, and risk. Since 2008 we have also seen a rise in the number of organizations using professional negotiators to help them combat the effects of increasing competition. Many buyers are receiving better training in negotiation and are developing and extending their skills into comprehensive supply chain management. People now expect to negotiate, and they see the process as helping to build positive relationships. Principled negotiation can achieve a solution that is acceptable to all parties involved. Most importantly, this pragmatic and cooperative approach encourages repeat business, to the benefit of both parties.

We have also seen an increase in what could be called *cross-cultural* negotiation. Our clients often want to leverage new technology wherever it emerges and seek new markets no matter where they are located. As our clients increasingly acquire resources and services from the global market and sell to other businesses across the world, there is a need for a negotiation model that can bridge those diverse cultures. Most of this book has been written as culturally neutral as possible, and our negotiation techniques are applicable across a wide range of locations, but we have included some specific considerations for negotiating with people from cultures and traditions you may not have dealt with before.

Other Types of Negotiation

Good negotiation skills are not just an asset for the traditional relationship between a seller and a buyer. Sometimes, the most difficult negotiations can be with colleagues in your own organization. Perhaps you need expert advice or to have key resources assigned to help you but find yourself struggling to get priority or to influence people over whom you have no direct authority.

That can be challenging because you want to maintain a good relationship for the next time you need their help. In all areas of life, with colleagues, employers, or even your own family, being able to negotiate well allows you to get what you want without damaging your relationships.

Later in this book we will explore some of the surprising similarities and productive differences between commercial negotiation, diplomatic negotiation, and hostage negotiation. The latter is not just about one person holding a gun to another in a bank. Consider the situation in the middle of tribal negotiations over access to safe artesian water when suddenly armed protagonists seize the only well for miles around while a woman and child are there. A different type of scenario may be kidnap for money, where the analogy to commercial negotiation may be strongest. Consider also what may happen when a retail food company is taken hostage by people contaminating products in its store. Think of the reputation of a celebrity being taken hostage by media phone-hacking. There are some interesting differences of perspective and emphasis that can provide mutual lessons to be learned in commercial, diplomatic, and hostage negotiations as well as in special situations such as a political party seeking to implement its legislative program or lawyers negotiating over litigation and compensation. We will expand on this in several examples covered in later chapters. You will see that much of this book has been informed by all types of negotiations and, in turn, is applicable to these different realms. A lack of ability in negotiation can be the single largest contributor to preventing people and businesses from getting what they want—and what they need.

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Our Philosophy of Negotiation

In this book, we'll define negotiation and explain our four “mantras” of negotiation philosophy. We'll work through the five crucial phases of every professional negotiation and what we call the ten golden rules. We'll suggest a ten-point planning process to help you prepare correctly for a successful negotiation. We'll show you how to put together a better “jellyfish”—a way to create more effective proposals during your negotiations. All this will be described in the context of how your organization can ensure success in its deals by creating the appropriate strategies and framework of processes to plan, guide, and support successful negotiations. Finally, we'll emphasize the importance of reflective practice, coaching, and support for people engaged in negotiations. It doesn't matter which side of the negotiating table you are on, this book will help you to achieve your objectives.

A Definition of Negotiation

Our starting point is to clarify why it is that people need to negotiate at all. The main theme of this book is to show you how you should negotiate and to provide key guidelines or rules, but we'll begin in this chapter by explaining why we negotiate in the first place. A good place to start is in the commercial world. Here, we can define *negotiation* as the voluntary and systematic exploration of both parties' interests, with the objective of agreeing on a mutually acceptable compromise that resolves the conflict. Figure 1-1 breaks down this definition into a few key components so that we can talk about each part in detail.

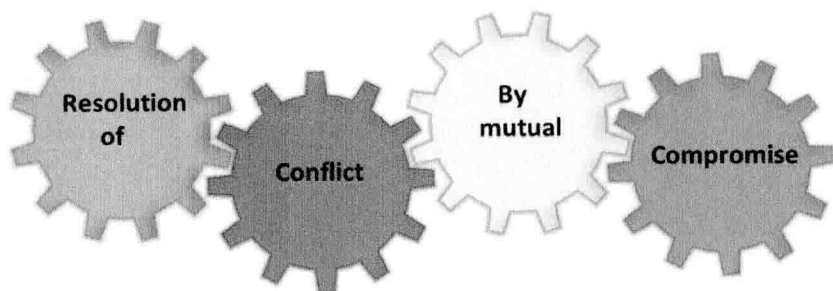


Figure 1-1. A definition of negotiation

We'll touch on hostage negotiation and diplomatic negotiation later in the book, so for now, *conflict* in this context means commercial conflict. Perhaps the most obvious example is when a buyer tells a salesperson that their product is too expensive or they don't want it this week or they don't want it in green. That's what we mean by conflict in the business world.

By *resolution* we mean that by the end of the negotiation we have achieved a satisfactory outcome on our part. But we also mean that the other party also feels that they have obtained a satisfactory outcome. Both parties can see the resolution as a "win-win."

When this fails to happen, it is often because the negotiators forget that part of the definition of negotiation is compromise. You will see later in this book that the first golden rule of negotiation is as follows: don't negotiate unless you need to. If you are a seller, you should sell well and avoid negotiating wherever possible. If you are a buyer, you should buy hard. If this fails and you need to negotiate, then you will have to make some sort of compromise—and so will the other party. That's what's meant by *mutual compromise*. So, before you unintentionally slip into negotiation mode, remember that if you have a superior bargaining position or the other party simply gives you everything you want, then you should promptly close the transaction. You still have the option to negotiate with the other party at some later time, if business circumstances change. Meanwhile, in the more usual situation where the other party puts up an understandable and reasonable resistance to certain elements, you should search for favorable common ground.

Of course, in today's tough economic environment, many businesses are seeing their margins squeezed, and some feel the need to use "gamesmanship" to try to gain an advantage in negotiation. We don't believe the analogy of a game is useful because that suggests negotiation is a sporting talent where luck and finesse are more important than good planning, critical analysis, and

sheer hard work. Nevertheless, the other party may be tempted to employ tricks and manipulation. This book will cover such tactics, not least because being forewarned of these techniques is to be forearmed to protect against their use. However, the use of even legitimate gamesmanship runs the risk of the other party feeling they have suffered a loss, which may encourage later reprisals or simply lose you the possibility of a profitable future relationship. This is why we emphasize mutual compromise.

If mutual compromise is not attainable, you may need to simply walk away from the situation. You don't always need to agree on a deal in every attempted commercial negotiation or diplomatic negotiation. That's one of the big differences when it comes to hostage negotiation—where there are unacceptable consequences of failing to agree on a resolution. In the commercial and diplomatic realms, sometimes a poor resolution of conflict is worse than none at all.

The essence of negotiation is compromise, so before you begin any negotiation, you should ask yourself and any other people in your corner if you are all ready, willing, and able to compromise. If you don't really want to negotiate and you don't want to compromise, then don't do it. If you don't know what the negotiation compromise should be or what the cost to you may be, then don't do it. Perhaps the culture of your organization does not encourage true negotiation. Or maybe your part of the organization lacks the capacity to negotiate because you do not have sufficient authority or the mandate to agree on the necessary compromise. If you are in a sales organization, are you ready to drop your price? Are you willing to extend the delivery date? Are you able to change the color of your product? If you are not ready, willing, and able to compromise, then by definition you won't be negotiating.

Similarly, if the other party doesn't recognize the conflict, does not need a resolution, or does not have the ability and desire to compromise, then there will be no mutuality involved. If there is no mutuality, there is no negotiation. In some circumstances, our clients often say they feel the need to aim for a "win-lose," such as when they know they will never again deal with the other party. We have found that in analyzing those circumstances the situation has often not actually been a negotiation as we would define it. Usually, these situations have been good examples of our clients selling well or buying hard and taking a robust commercial approach that proved appropriate and valid. However, caution is recommended. If the other party feels they have suffered a "lose" and still have to deliver some aspect of the deal, they may see the chance for reprisals against you.

A Little Bit of Theory

This chapter is crafted from a practical perspective, based on hard-won experience over a quarter of a century. However, it is useful just to clarify key terms by referring quickly to one aspect of the theory of negotiation. In particular, to explain our overall approach and philosophy, it is useful to distinguish between what can be called *distributive* and *integrative* negotiation. Distributive bargainers think of negotiation as a process of distributing a fixed amount of value. Their objective is to grab as much as possible of the pot before somebody else beats them to it. This approach is often called “win-lose” because it assumes that one person’s gain is at the expense of another person’s loss.

This is similar to the difficulty that new students of economics often have when first studying the subject. If the world’s total economy is valued at a certain sum, how is it possible to grow the overall economy? Surely the only question is how the total pot can be distributed in different ways among all the countries and people on Earth—and isn’t that where exploitation rears its ugly head? However, one of the defining characteristics of humanity over the ages has been our ability to excel at certain skills and to specialize in them, leaving other people to excel at their own skills. Such specialization enables one group of people to become efficient at a particular set of tasks while another group becomes efficient at a different set of tasks.

Another defining characteristic of humanity has been our relentless drive to trade with other people. One isolated group could try to prospect for all the natural resources they need, producing every single tool they require and hunting or gathering their own food. However, the willingness and ability to trade opens the door to a different way of life. It becomes possible for people to focus on the things they can do more efficiently than others and then trade their surplus for the things they need that others can produce more efficiently. Specialization combined with trading can create the conditions necessary for a virtuous spiral that grows the overall economy. Total economic value is no longer fixed; the pot can expand.

When we apply that economic model to negotiation, we embrace the concept called *integrative* negotiation. The idea is to build trust so that the parties can be honest about their underlying interests and seek a “win-win” resolution. Rather than locking the parties into a set of confrontational stances, this principled approach to negotiation avoids a personalized joust. It seeks a fair deal for both parties, but one that they can both be motivated toward because it maximizes their own payoff. Later in the book we’ll explain how this approach can be extended to create additional value above and beyond the value that either of the parties involved in the negotiation could find in isolation. At first, this may sound a bit like the magic of alchemy, which believes that base metals may be transmuted into gold. But there may be a serious lesson to be learned

from alchemy, which coins the Latin maxim *solve et coagula*, meaning to separate and to join together. This resonates with our approach to negotiation, where we first separate fact from perception and emotion from pragmatism before joining the parties together in understanding and cooperation, resulting in the creation of more value.

To summarize, for the purpose of this chapter we are defining negotiation as the voluntary and systematic exploration of both parties' interests with the objective of agreeing on a mutually acceptable compromise that resolves their conflict.

Strategies for Resolving Conflict

Of course, negotiation isn't the only way to resolve conflict. There are five options that we can use to resolve conflict, as follows:

- Negotiation
- Dictating terms
- Surrendering
- Arbitration
- Problem solving

At the top of the list is *negotiation*—where we aim for a “win-win” mutual compromise. The second option is to dictate terms. Here we could state our position as “There’s our price; take it or leave it.” *Terms* could be dictated by the parties on either side of the table, whether they’re buying or selling. A buyer might say, “This is the price I want to pay; take it or leave it. If you don’t accept it, I’ll go somewhere else.” This approach has no element of compromise, and there is no mutuality, so by definition this is not a negotiation.

If you are presented with this stance, you might simply decide to *surrender*. You might look closely at the deal and conclude that it actually represents a good price. It may not be your perfect price, but it is one that you can accept today so you can close the deal and move on to making money elsewhere.