

Ansa executive information club

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**You have more power
than you think!**

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Although negotiation is a 'life' skill most people involved in negotiations demonstrate few of the fundamentals required to be truly effective negotiators. Indeed, even the allegedly 'experienced' negotiators that I have observed show a remarkable lack of even rudimentary negotiation knowledge.

To the student therefore, emulating the negotiation behaviour and practises of other people in your organisation is not necessarily a good idea. Far better that you accept that for negotiation to be effective there is a need to treat it as a specific skill that deserves to be properly studied and professionally applied.

The objective of this article, therefore, is to provide support to our 'Young Manager Mentoring Programme' by putting forward a simple didactic foundation for the 'student' manager who needs to negotiate as part of his or her everyday working life but who also needs to study further.

This foundation is far from comprehensive, but the rest of our programme, of which negotiation forms a major part, will build upon this foundation. Thus this foundation together with our programme, practise and the active study of the reading list at the end of the article is the only way that comprehension can be fully attained.

Acknowledgment

Anything of substance that I know about commercial or industrial negotiation has come to me from two sources. The first of those sources is forty plus years of business experience and as a source it has been a hard and unforgiving teacher! The second source is Prof Gavin Kennedy of The Herriot Watt Business School at Edinburgh University. Kennedy has been enlightening, challenging and supportive.

Nearly all of the work, models and exercises in our negotiation programmes are of Kennedy's creation and origin. As licentiates of Kennedy's programmes we acknowledge the contribution that he has made to our own programme 'You Have More Power Than You Think' from which this article is derived.

Introduction.

As a practitioner in negotiation skills I have had the fortune to witness, on a day to day basis, vivid examples of how true Gavin Kennedy's teachings are and how crass we mere business mortals are as 'negotiators'. I believe that this is because many people engaged in negotiations do not understand what negotiation is 'about'.

In my view negotiation is 'about' being a skill in its own right. It involves at least a working knowledge of human behaviour; it is about understanding and controlling behaviour, our own and the other party's. It involves a specific process that falls into four phases.*1

Negotiation is 'about' trading. "Give me some of what I want and then I will give you some of what you want" exemplifies the meaning of trading in a negotiation context.

Negotiation is about having a veto; having the right and the ability to walk away. In many instances sales people are warned, prior to entering into negotiations, "do what you have to do but don't lose the business". With such a sword of Damocles over her head how can any sales person possibly negotiate the best deal for her company?

Negotiation is about searching for common ground; learning to see the world as others see it, being flexible in planning and approaches and having a preparedness to compromise.

Negotiation is about productive behaviour; negotiating with others as you have them negotiate with you.

And finally negotiation is about the bottom line; negotiating without a clear view of the bottom line and the leverage factors that affect it is a dangerous activity.

To achieve my stated objective I have attempted to lay down these guidelines in such a manner that each particular skill can be practised with every colleague, manager, customer or supplier interface. There is no doubt in my mind that if you are serious about wishing to be a proficient negotiator then you will need to be committed to practising the skill at every opportunity.

I also believe that I can best achieve the objective of this article by laying down the 'rules of effective negotiation' which the young manager should follow. Then, as in true 'didactic' learning, their own experience can refine these 'rules' to a more relevant application in the workplace.

The order in which I record these 'rules' should not be viewed as suggesting the priority of one over another. All are of equal importance. Also in noting the 'four phases of the negotiation process' it would be a mistake to assume that those phases should be followed as a linear progression.

The negotiation process is dynamic and very often plans, or proposals have to be revisited and revised in view of current circumstances; 'flexibility' needs to be seen as a key element in all negotiations.

The six rules of effective negotiation are.

Rule 1

Understand the point at which 'negotiation' starts.

If you are selling then the 'selling' job needs to have been done first. If you are a buyer then the 'buying' job needs to have been done first. If you are a production manager negotiating with your teams then you must have engaged in some prior 'influencing' activity.

Conditioning is a significant part of the negotiation process. The sales person 'conditions' her customers by 'creating' dissatisfaction, she further 'conditions' her customer by influencing his evaluation of options, she closes the doors on her competitors by creating unique specifications that only she can meet.

During this conditioning the professional sales person, in total contrast to the non professional, does not make concessions, she does not give away anything that she can later use as a negotiation lever or a trade off.

Similarly the buyer works hard to condition the sales person by controlling the flow of 'information' from his company to the seller. For instance the buyer knows full well that if the sales person is able to determine a high level of dependence upon a supplier then she will exploit that dependence in her offer and at the negotiating table.

The very essence of this rule is to accept that negotiation is not something that merely concludes a deal. Negotiation starts well before 'proposals', suggestions or 'offers' are made. But nothing is traded until all of the cards are on the table.

Rule 2

Negotiate from the high ground.

Negotiating from the high ground is not simply a case of always aiming high, obviously there is a need to ensure that your offer is as high as it could credibly be, but the securing the high ground involves many other factors. Not the least of these factors is in building your own negotiation package.

Enhancing your trade offs throughout the process is important. Trade offs that you have every intention of making need, even though they are small trade offs to you, to be made big in the eyes of the other party. When they receive an 'apparent' concession it needs to be perceived as something big, they need to feel that they have wrung a considerable trade off from you.

There is much debate about 'power' in negotiation. Given a group of sales people I will always be told that the buyers have the power and yet given a group of buyers they will always insist that the opposite is true.

Power is in the mind; professional negotiators do not allow the laws of self prophecy to take over! The professional negotiator always has the power; they know that if for one moment they perceive the other party to have the power then the other person most certainly has the power.

In truth there are, perhaps, four genuine powers in negotiation. The first is supply. When Ezekiel realised that he was the only guy that had enough timber for Noah to build his arc with there was no negotiation! Very much part of this advice is to remember – don't negotiate if you don't have to!

The second power is information. In negotiating information is omnipotent. Particularly information relating to the other party's position, needs and possible trade offs is required. The essential second phase of the negotiating process, discussion, enables us to determine, in extreme detail, precisely what the other person wants or is expecting from the negotiation process.

The third power is 'conditionality'. In all of our negotiation work nothing gives the student negotiator as much discomfort as learning how to tie strings to concessions and yet conditionality is the essence of successful negotiation.

As a negotiating practitioner my experience suggests sales people, in particular have an almost inbred resistance to tie any string whatsoever to the concessions which they make even in the face of extreme or unwarranted demands from buyers. Perhaps this is because sales people are generally 'relationship' driven and, as such, see 'tying strings' as an unnecessary obstacle to closing the deal.

The 'buyers' in my experience, probably because they are generally 'transaction' driven appear to have no compunction whatsoever in making sure that if there are concessions to be made then the other party must at least make equal concessions.

Concession behaviour is not negotiating and therefore of all of the skills that need to be practised to perfection none is more important than conditionality.

Finally the fourth power is preparation. The old adage 'fail to plan - plan to fail' is extremely pertinent in negotiating. Planning in negotiation is so important that it needs to be a rule in its own right.

However just as there are four powers there are four perils that you need to be aware of. Exposed dependency is a peril that must be avoided, no matter how much you require a desired outcome letting the other party know that you are in a totally dependent situation will not do your position any good at all.

'Unrewarded' movement is the second peril, making any concession without securing something in return will only encourage the other party to push for more.

Deadlines form a particular peril. Never negotiate under time pressure as Kennedy says “There isn’t a deadline in the world that can’t be negotiated”.

The final peril is in ‘passing your walk away point’. In your planning or preparation it is crucial to identify the point at which the deal will not be worth it to you. Unfortunately my experience proves that, often because of the time already invested, the ethos appears to be – “we have come this far and I am not prepared to lose the deal for the sake of just one more small concession”. But ‘one more concession’ never is ‘one more’ on the contrary it starts an almost perpetual chain of last minute concessions which turn many deals very sour indeed. Always remember that ‘no deal’ is better than a ‘bad deal’!!

Rule 3

Plan all negotiations.

Planning is the first of the four phases of the negotiation process. It is a crucial stage and time invested in planning will return rich rewards. The essence of your planning is in answering the question “what do we want”?

Start with the overall objective, the bigger picture your ‘interests’. What do you want to get out of this negotiation? Why are you negotiating?

Having answered the above questions then take time to identify all of the issues that you need to sort out. But be careful at this stage; very often I witness teams, in the planning process going straight to the issues without spending any time at all considering the big picture; their overall interests. Not having the bigger picture in your mind causes tremendous problems when trade offs, sometimes hard ones are demanded of you.

In a recent exercise I saw a team refuse to ‘trade off’ accepting some £5k of rework in exchange for a \$500k contract renewal. The team had not seen that their interest was in retaining this particular companies business.

Prioritise each of the issues. Some will be absolute deal breakers, some will not be quite as important and some will probably fall into the heading “be nice if we could get this as well”.

What are your trade offs? What concessions do you expect of them? What concessions do you think that they will be seeking of you ?

Part of your prioritising is in identifying your entry and your exit points on each of your issues. This is where the identification of your trade offs will be helpful. You will be able to dovetail your issues with your trade offs. “If you give me this then I might be able to give you some of that” will now come into play.

It is important that you spend some time in assessing the value of each of your trade offs, but be careful because what does not appear to you to be a very valuable trade off could be of extreme value to the other party. Your objective is to trade something that is cheap for you but valuable to them, in return you should be expecting something that is valuable to you.

Rule 4

Invest heavily in the ‘discussion phase’

If the planning phase is “what do we want?” then the discussion phase is “what do they want?” Without unnecessary comment and without falling into the trap of making premature offers find out precisely what the other party is expecting. This will come from purposeful questioning, probing questions and, above all, careful listening.

Just as you identified your interests in the planning phase, what are their interests? Just as you have a series of issues what are their issues? Find out what they are considering as trade offs, in particular try to find out what their negotiating range is. The negotiating range is the complete frame of entry and exit points on each part of their plan.

During this phase your behaviour is of crucial importance, peremptory dismissal of their expectations for example could prove to be deal breaking behaviour. You need to question, to probe and to understand the whole of their case. Seek first to understand before attempting to be understood.

At the end of this particular phase I have always found it useful to adjourn and review my plans and my objectives.

Rule 5

Propose with the deal in mind.

Prepare proposals in the way in which you wish to negotiate the deal. Proposals, which is the third part of the negotiation process, need to be put together encompassing all of your wants. If you can meet some of the other party's wants confirm so in your proposal. Don't expect your offer to be accepted without question; there is not a professional negotiator in the world that will accept the first offer. As a consequence there is no point whatsoever in putting forward an offer that is anything other than the highest possible, credible, offer that could be made.

Make absolutely certain that the offer establishes conditionality. Remember that conditionality is the way that you establish trading. Conditionality is in two parts your condition and your offer. "If you will do this for me" (your condition) "then I will do this for you" (your offer).

At this stage the language used is very important. Conditionality must not only be assertive in 'condition first then offer' but also assertive in the language used. For instance consider "OK I will accept liquid damages but I expect something in return". That proposal is the wrong way round with the offer preceding the condition.*2

A better proposal would be "If you agree to full payment on completion without retention then I may be able to accept 1% liquidated damages" You will also note that in this example assertive language is used in making the offer vague but the condition specific.

Make certain that your proposal is 'depackaged'. There are many things that could be included in your offer, leave them all out at the beginning and let the other party negotiate what they want into the package (for which you will extract concessions).

Keep out the inelastic parts of the package. Those things that they don't want you might as well give them anyway simply because they won't pay for something that they don't want. But the inelastic things, the things that they have to have are some of your key bargaining levers!

Rule 6

Negotiation does not have to mean meeting halfway

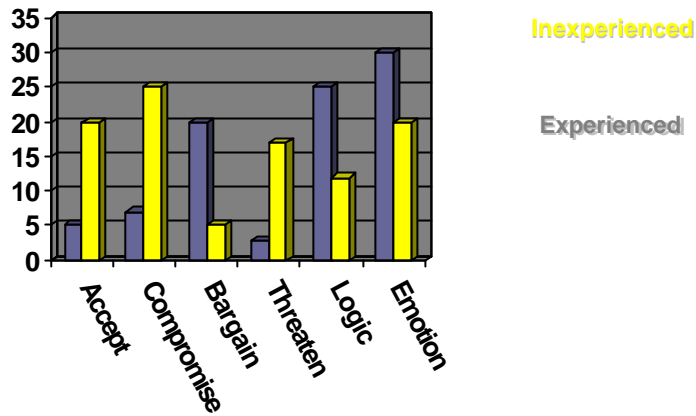
In almost every negotiation textbook, with one notable exception, the ethos of win / win is propounded. The exception is in Richard Russills' book *Purchasing Power* from which book comes this rule. Russill makes the point that the purpose of every negotiation is not win / win but win / won round and in defining negotiation from a forced choice list Russill sees negotiation as 'a process for getting the other party to change its mind'.

Getting the other party to change its mind obviously involves persuasion but 'persuasion' exists in many forms. Bargaining, one of the basic forms of persuasion, is the final phase of Kennedy's four phases of the process.

Other forms of persuasion are acceptance, compromise, bargain, threat, logic and emotion but it is striking to note the differences in use of each means of persuasion by experienced negotiators as compared with inexperienced negotiators. In the table at the head of the next page this difference is illustrated.

The inexperienced negotiator accepts first offers on 15% more occasions than would the experienced negotiator. The experienced negotiator seldom used threats (2.5%) whereas the inexperienced negotiator resorted to threats 18% of the time.

The negotiator's dilemma



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The important point to note is that it is the 'mix' of the means of persuasion that is used.

Summary

There are therefore four phases to a negotiation: planning – what do we want? discussion – what do they want? proposals - what do we offer, bargain – doing the deal. The rules above are guidelines for you to follow as the start of building your negotiation experience.

You can expect a significant difference to your performance as a negotiator and you will quickly see much more productive negotiations. There is one final little rule. ENJOY IT AND IF YOU FIND THAT YOU CAN'T THEN DON'T NEGOTIATE – YOU WILL BE TRAMPLED.

*1 Gavin Kennedy's Four Phases of Negotiation

*2 Gavin Kennedy Proposing The New Negotiating Edge

Recommended reading

The New Negotiating Edge – Gavin Kennedy	ISBN 1-85788-205-9
Kennedy on Negotiation – Gavin Kennedy	ISBN 0-566-07302-1
Purchasing Power- Richard Russill	ISBN0-13-442625-8

'You have more power than you think' and other negotiating workshops are available from ANSA Business Development.

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