



FNC Roundtable

Topic 2: Negotiation

The materials for this discussion

- **Getting to Yes: Negotiating Agreement without Giving In**, Fisher, Ury and Patton
- **Masterful Negotiating**, HBR
- **Draw the Line in Price Negotiations**, from *Solution Selling* by Michael Bosworth

What is a Negotiation?

There are lots of definitions, the one I use is:

An interchange intended to lead to an agreement

What is a successful negotiation?

3 criteria

- Wise agreement
- Efficient
- Improves/sustains (does not damage) relationship

Negotiating over “positions” tends to undermine all three of these.

Sometimes there is no apparent relationship (e.g., a newsstand at a distant airport). Does that change the criteria, or our behavior?

Hard v. soft negotiating

What is a soft negotiating style? Hard negotiating style?

Hard bargaining style always wins over soft bargaining style. Why is that?

- What does a “soft bargainer” feel about a “hard bargainer”?
- What does a “hard bargainer” feel about a “soft bargainer”?
- How does this affect the relationship after the end of the negotiation?
- Is “good cop-bad cop” really just another example of hard bargaining?

What is FNC’s bargaining style?

- How successful it is?
- Does FNC negotiate “as if implementation mattered”?
 - If FNC were negotiating “as if implementation mattered”, what would it be asking for?
 - (Hint: what “interests” does FNC have AFTER the contract is signed? What would help the implementation the most?)

Negotiating from Interests

Quick look at each of these, using an example each.

- People:** Separate the people from the problem
Acknowledge the emotions
Only one person angry at a time
Put yourself in their shoes
- Interests:** Focus on interests, not positions
Why are they asking for more time? More money?
- Options:** Generate a variety of possibilities before deciding what to do
Remember, when we are under stress, we narrow our focus so we do not think of alternatives as well
Circle chart (see p.68 of Getting to Yes)
- Criteria:** Insist that the result be based on some objective standard
Market value, industry “norm”, scientific measure

Negotiators are people first

Trust, communication, understand person’s position in organization

There is no such thing as an Apple to Apple comparison—the situations and relationships are always different

There are always two negotiations, the process and the object. The process is about people and maneuvering. The object is about preparation, understanding your options and the relative strength of the parties.

BATNA, or Best Alternative to a Negotiated Agreement

- Protect yourself from making an agreement you should reject
 - What do we mean “protect yourself from making an agreement you should reject”?
 - “Let’s all agree and put an end to this.”
 - Pressure to make a deal now.
- Help you make the most of the assets you do have so that any agreement you do make will satisfy your objectives as best possible

Preparation

Most people are unprepared (hoping for the best)

- Have not done the preparation
- They have not thought through and written what they think the “final language” should be.
- They have not examined their BATNA
- They are subject to a lot of uncertainty about their interests so they do not know how to articulate their interests or defend them (which means more risk).

What is preparation?

- Spending time understanding the other side’s interests, concerns and obligations
 - What is important to the other side
 - Is what is important the “strategic source” department different from what is important to the appraisal department
 - How can you use those two differences?
 - What is the other side’s BATNA
- Understanding your own interests, concerns or obligations
 - Do you know what is important to you as opposed to what is not as important?
- Developed lots of different possibilities about how to approach different issues
- Arrive at the Best Alternative to a Negotiated Agreement (BATNA)

Draw the line in price negotiations

- Wringing the washcloth
 - What do our clients wring out?*
 - Is wringing out the washcloth just about money? What about deadlines?*
 - Features?*
- Lesson 1: Protect your price
 - \$.25 per transaction on 400,000 transactions per month is \$1.2 million per year
 - Is price the most important issue to our clients?
 - However, would you make a price concession in exchange for a guarantee
- Lesson 2: Don't give without getting (trade, don't give)
 - "The only way I can do something for you is if you can do something for me"
 - [know what it is that you want]
- Lesson 3: The Seller has to draw the line first

Staging a Negotiation

- Where should you hold a negotiation?
- What is the environment? What is the "best environment"
- How does negotiating on the phone compare to negotiating in person?
- Who should participate?
 - Who should talk?
 - Do different people have different roles?
 - Will they know their roles when it is their time to be on stage?
 - Do you want all of the decision makers in the room? Does it matter whether the other side has all of its decision makers in the room as well?
 - What is the problem with too many people in the room?
 - First question to ask is, why are they there? What is their purpose? Are they just there as an audience?
 - Can't predict what people will say, and when they say it
 - Motivations are different (so can be sabotaged)
 - What do you need to do before you get into the room?
 - Do you have an agenda?
 - What is the agenda for?

- How do you set your BATNA?
- Is a standard agreement an important negotiating tool?
We should price in favor of the standard agreement

Some random tips

- You cannot have something you do not ask for
- One tactical observation: when you ask the other side for the answer to a hard question, do NOT let them off the hook. Stay quiet until they answer and then after that.
 - Why is this?
- Don't forget that when dealing with others that there is a 50% chance that you will misunderstand their intentions

Objective is not just getting the contract. If that is the only objective, then you are leaving the mess for the people who implement to follow up.

The Other Side

- You must listen to and understand the people on the other side
- How do you acknowledge the people on the other side?
 - What is the relationship you want to strike with the other side?
 - How do you want them to see you?
 - How do you read people who do not respond?
- Where does a good sense of drama fit in? Good sense of humor?

The Case Studies

Some really, really quick case studies

- What room should we meet in?
What do I do if I really, really want to be in one room and not another?
- Where should we go for lunch?

- Is poker just about the cards?

Case Study: Buying a Car

How many of you like to buy cars?

Why does everyone hate to buy cars?

Convinced you will not get the best deal (makes us anxious)

Don't enjoy the amount of time it takes to reach a decent deal

Don't feel emotionally up to the challenge

Afraid you will be stuck with a car salesperson you do not like (or is not listening to you, or...)

How do you prepare?

What is your BATNA?

How do you stage the negotiation? How does the car dealership stage the negotiation?

What is the "I need to get my sales manager's approval for this..." (is this the same as getting the buyer to "stop squeezing the washcloth")

Case Study: Salary Negotiations

- Why is salary negotiation a great case study? (How many of you get chills just thinking about it?)
- Does this illustrate the importance of separating the people from the problem and the real need to understand the human side of negotiations?
- How will "invent options" help?
 - Is "salary" the only important issue? (Increase the options)
 - What about different assignments?
 - What about different or newer equipment?
 - What about additional training?
 - What about a phase in of any salary change
- What do you say when someone says, "if I give you a raise, I have to give everyone a raise"?

Case Study: CMS Agreement

- Does FNC have different interests in a CMS agreement depending on where you are in the organization?
- How does negotiating "interests" help?
- Is the CMS agreement a price negotiation?
- What has been our problem with negotiating CMS agreements?
 - When does the negotiation of a CMS agreement start?
- What is the objective of the CMS agreement negotiations?

- What about negotiation as if implementation mattered?

Case Study: Change Requests and Completion Dates

- Is a change request a negotiation?
- What our own interests in a change request or completion date?
- Does FNC have different interests in how we treat change requests?
- Who are you negotiating with?
 - Internal people or external people, or both?
 - Are some FNC people advocates for the client? Why is that?

Case Study: Getting people to work on your project on your timetable

- How do you negotiate with your peers?
- What can you “trade” in the negotiation?