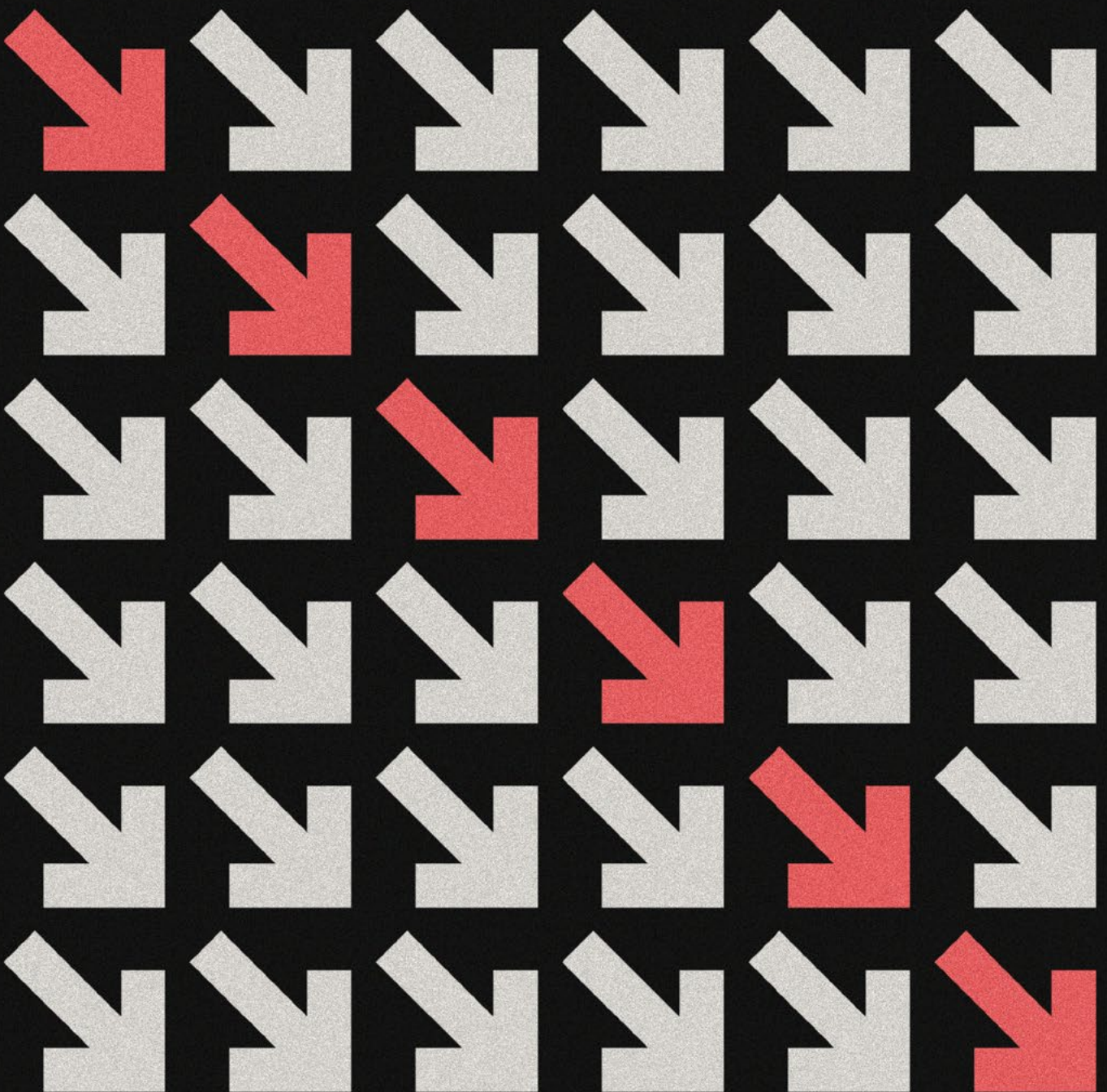




Are you negotiating or concession making?

Learn how to improve your negotiation outcomes by developing creative agreements.



Are your people negotiating or concession making?

Huthwaite has conducted the most comprehensive research into the subject of negotiations that we know. In addition we have worked with many clients to improve both their planning and face-to-face negotiating skills. Over the past thirty years we have also worked with clients in a consultancy capacity to help them achieve successful outcomes to specific negotiations. This work has revealed some common traps negotiators fall into and some of the skills and strategies used by their more successful counterparts to avoid these pit falls.

Some common traps in negotiation



Sellers make concessions early in the sales cycle before formal negotiations begin, so they have often given away the things they could trade later.



Problems arising during implementation are often the result of a lack of clarity about agreements during negotiation.



Sellers often perceive they are in a weak position in relation to their customers and behave accordingly.



Many people simply make concessions to win the business; they fail to trade them for other things of value.



Too many sellers think price is the only real issue; as a result it becomes the only real issue.



Sellers tend to plan what they want to achieve, but not how they will achieve it.



Some sellers agree to reduce prices today in return for promises of 'jam' tomorrow.

So what do successful negotiators do to help them avoid such traps?

Plan what needs to be achieved and how to persuade the other party

The first crucial difference lies in the way skilled people prepare for negotiations. They spend time not only considering what they want to achieve, but also planning how they might get the other party to agree to it. This process includes trying to get into the other party's head to see things through their eyes, giving consideration to what might influence them to accept a proposed position on any given issue.

Skilled negotiators also explore exactly which issues can be traded in return for the things they want, and how far they can afford to concede on any given issue to get those things in return. A key part of their decision-making in this process is to calculate the cost of concessions. This means that they know in advance exactly what it costs to move on any issue. Giving consideration to all the issues that might possibly be traded in this way also helps them to avoid the common trap of making price the only negotiable issue.

Don't negotiate too early

Negotiation by its very nature means you will need to make some concessions to get what you want. So it is important not to start negotiating unless you are well prepared and have a clear plan of what you want to achieve.

Customers, on the other hand, frequently try to extract concessions during the sales cycle before formal negotiations begin, which leads to the risk that sellers agree to these demands in their efforts to progress the sale. Such concessions are often not costed before they are agreed and because they are made piece-meal, over a period of time, their full impact may not be realised until later.

The result is that sellers give away things that can be traded during later negotiations giving them less room for manoeuvre when the real negotiations begin.

Customers, of course, rarely recognise or place value on any concessions made to them before the start of the formal negotiations.

Power is in the head

Skilled people try to address the power balance in their negotiations. This is a crucial issue since those who believe they are weak will often act accordingly. All too often we see sellers who feel they are in a weak position and make a string of concessions that might not be necessary. So how can the perception of weakness be addressed? Skilled people are more likely to conduct an analysis of the situation to explore the potential strengths and weaknesses of both their own position and that of the other party. They are also more likely to explore how these strengths and weaknesses can be used, or handled, to put themselves in a position of greater strength. Such an analysis often reveals that the seller is in a much stronger position than was initially thought possible.

So remember, power is in the head. If you feel weak you are more likely to make concessions. If you feel strong you are more likely to act accordingly and this can change both the perceptions of strength and expectations of the other party

Make all concessions conditional

This advice is handed down on almost all negotiation skills programmes and it remains at the very heart of effective trading or bargaining. In the heat of negotiations all too many people forget the key phrases *"I might be able to move on X if you can help me with Y"* and *"If you could give me Y I might be able to move*

closer to you on X” and all the many variations on this theme. This linking of tradable issues is essential if the trap of simply making concessions to win the business is to be avoided.

Link their concessions to the things which are most important to them

It is surprising how often people negotiate on an ‘issue by issue’ basis, with the result that their agreements come from a series of concessions, by both parties, towards the mid point between their respective opening positions. This form of horse-trading does little to achieve success on the crucial issues, so make sure any concessions you make are linked to getting the things that are really important to you.

Open high but credible

The old phrase *“If you don’t ask, you won’t get”* is certainly true in negotiating, so always aim high. There is ample evidence that people who aim high do better in the agreements they achieve. It’s surprising how often people open negotiations with a lower initial position than they set in their planning. So if you plan to open with a high position, stick to the plan when you get into the negotiation. You may not get all you ask for but the chances are you will do better than if you open with a more modest proposal.

Remember too that a skilled negotiator should be doing the same to you. Many buyers are only too aware that if they open with a very low offer on price, it can have a profound effect on the seller’s perception of the price it will be possible to achieve. As a result they often gain concessions well beyond the level they would have been happy to accept. So expect buyers to come in with very low prices and other demands. Remember this is their opening position, designed to make you feel weak and to encourage you to make concessions.

Buyers use aggressive opening positions as part of their

strategy to establish power in negotiations. So the next time a buyer tells you that your price is 50% more than your competitors ask yourself why, if this is true, the customer is still talking to you. If the competitor is offering the same solution and service at 50% of your price, surely the customer would simply buy from them and stop talking to you?

Seek trades that are high value but low cost

The key to creative agreements is to seek areas where you can gain something of high value to you but which have a relatively lower cost to the other party. As a simple example, negotiating the fitting of extras to a new car you are buying gives you a high saving on the retail price you would usually pay, while for the garage the cost is less since it will be buying the parts at trade prices.

Finding issues which have no cost to you but have a real value to the other party can really help you to get movement on the issues which are important, since you are in an excellent position to trade them against the things you want without incurring real penalties.

Don’t leave the difficult issues until last

Most people are worried about the issues they know are going to be tough, and in an effort not to damage the climate of discussions, can be tempted to discuss issues that are unlikely to be controversial first, leaving the tough issues until last. Sadly, while they may make excellent progress on the easier issues, the deal may well fall apart when they come to the tough ones because they have nothing left with which to trade. Settling the minor issues first removes the trades that are needed to create movement on the difficult ones.

This is especially important if price is the difficult issue, since it means all other concessions will have been made before price is discussed. This almost inevitably means that in the attempts to reach an agreement, concessions on price will be made without any compensating moves from the other party.

Keep agreements on all issues conditional on the shape of the full package

Setting agreements in stone on each issue as you progress through the negotiation can make it difficult to reach the final agreement, as there may be a need to revisit issues and change positions as the shape of the total package becomes clear. This doesn't mean that we shouldn't take very careful note of agreements on each issue as we go along, far from it; clarity about what has been agreed is vital. But it does mean that as we summarise agreement on a specific issue, we need to make it clear that our agreement is conditional on the shape of the total package. This can help to avoid difficulties later if we need to revisit issues again.

Have one powerful reason to support their position

Many people defeat their own arguments when asked to justify their position by giving reasons that won't hold water when challenged by the other side. So make sure you give thought to how you will justify your position if the other party makes a challenge. One good reason that will stand up to any scrutiny is all you need; don't water it down with a dozen others.

Once you have provided this justification, don't fall into the trap of giving further reasons just because the other party asks for them. If your first reason is strong you don't need to supply any more. Adding further justification on the hoof is likely to offer the other side something it can challenge, so don't do it!

Don't concede anything until they have worked out the cost

In our efforts to reach agreement there can be a temptation to make final concessions to get the agreement concluded. Sometimes the cost of these concessions only becomes apparent later. Equally, people may raise an issue you haven't considered and the lack of preparation may lead you to move before you fully appreciate its significance. Never be afraid to ask for time to give consideration to your response and then use that time to work out exactly what it will cost you to

make the requested movement.

Check the meaning of all agreements carefully

It may be an obvious point but it's amazing how often something which seems crystal clear at the time, can be open to reinterpretation afterwards. Spending time testing your understanding of the proposal on the table can save you much anguish later, when it becomes apparent that what seemed a good deal at the time is now a problem. If something can be interpreted in different ways, the chances are that it will be, so always make sure the customer's interpretation is the same as yours and confirm it in writing. In any organisation there will be changes in personnel over time, so you can't rely on the person who made the agreement with you being around to confirm your interpretation in years to come. Make sure the meanings of all your agreements are clear and can't be interpreted any other way.

Remember you may have to live with mistakes made in reaching the agreement for several years, and they can have a significant impact on both the profitability of the deal and customer relationships. Even worse, some concessions can live on beyond the current agreement to influence the next one.

Final comments

The simple rules outlined above have been distilled from our research and from our experience watching hundreds of negotiators in action. They should help anyone negotiating contracts to avoid the common negotiating traps and reach more successful agreements.



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