

The Role of Negotiation Skills in Achieving Personal and Professional Success

Developed for



TEPAP
The Executive Program for Agricultural Producers

by
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The Role of Negotiation Skills in Achieving Personal and Professional Success

Agenda

- ▶ Provide an overview of negotiations, the epidemic of "Negotiaphobia", and these developable skill's critical role in supporting your business success, and personal life encounters;
- ▶ Explore the four viable negotiation strategies, and when each one is a fit;
- ▶ Provide guidance for negotiation preparation using a clear, simple and repeatable process;
- ▶ Discuss tactics for negotiating proficiently in competitive encounters; and
- ▶ Share insights for effective concession making to secure positive negotiation outcomes (*the key to becoming an A level player*).



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A little about my Background in Negotiation Skill Development

- ▶ BSBA, MBA, and Ph.D. from the University of Missouri - Columbia
- ▶ 15 years as Marketing Department Faculty Member at Texas A&M and the University of Memphis;
- ▶ 1992 started the first graduate level negotiation program in the U.S. with Dr. Patrick Schul;
- ▶ Co-authored The One Minute Negotiator: Simple Steps to Reach Better Agreements with Don Huston; Foreword by Ken Blanchard;
- ▶ With Don Hutson developed the Continuing Education course on negotiation for Western CPE;
- ▶ Have been fortunate enough to help thousands of people in multiple industries (including ag) on six continents advance their negotiation skills;
- ▶ Worked on skill development with both the buying and the selling sides of negotiations;
- ▶ Worked as a lead and advisor on many significant negotiations.

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Factors Making Negotiation Skill Development Even More Critical in Today's Environment

- ▶ Changing marketplace conditions
- ▶ Demanding parties, often with more options
- ▶ Slim margins, with no margin for errors (Mark Welch at TPPA Conference: High Production Costs, High Production Risks, AND High Price Opportunities)
- ▶ Increasing need for adaptability and creativity



Question: Prior to today, how many of you have devoted time to your negotiation skill development?

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Session 1
An Overview of Negotiations,
and the Strategies to Pursue Them



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Negotiation Defined

"A negotiation is the (often ongoing) process through which two or more parties whose initial positions are not consistent work in an effort to reach an agreement."



from *The One Minute Negotiator*
By Don Hutson and George Lucas

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The Big Secret About Negotiations

In many cases they never really end!

We are always in one of these four phases:

- ▶ Pre-Deal
- ▶ Deal
- ▶ Post-Deal
- ▶ and Frequently Next Deal



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The Epidemic of Negotiaphobia

Why do people, who do it every day, fear negotiations?

"Negotiaphobia" is a fear of negotiating based upon limited experience, discomfort with uncertainty, and a lack of developed skills. Another symptom is the inability to adapt one's negotiation strategy to match the situation at hand.

from *The One Minute Negotiator*
By Don Hutson and George Lucas



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The Three-Step E-A-S-Y Treatment for Negotiaphobia

1. **Engage:** Review situation and the four negotiation strategies
2. **Assess:** Your tendencies, and the tendencies of others at the table
3. **Strategize:** Select the best strategy for this negotiation, and a Plan B

Your one-minute drill for treating Negotiaphobia

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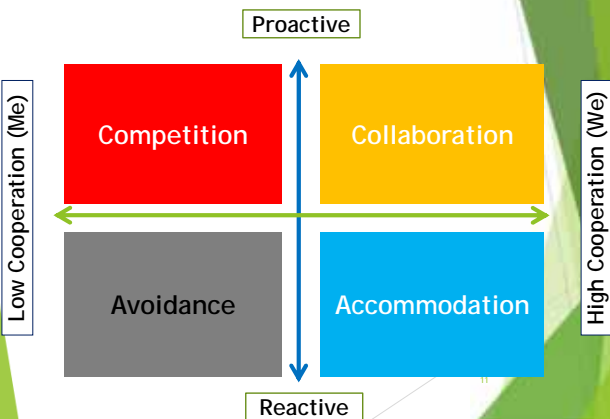
The Two Dimensions of Negotiation Strategies

Activation and Cooperation



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The One Minute Negotiation Matrix



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Avoidance

This Strategy has two sides to it:

- ▶ Done by you alone (+/-)
- ▶ Or when someone just takes from someone else; hoping they just don't notice

Your radar detector should go off any time you hear "of course"



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Accommodation - Giving in to the others side's request(s)/demand(s)

Three Issues to Keep in Mind

- ▶ Know that you are doing it, and why
- ▶ Understand that it is not a relationship builder; but a relationship tester
- ▶ Recognize it as the profitability "sink hole" it really is



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Competition

A win-lose/fixed-pie approach, driven by:

- ▶ Skills
- ▶ Knowledge, and
- ▶ Nerve



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Collaboration

The Most Advanced of the Four Strategy Alternatives, with a focus on:

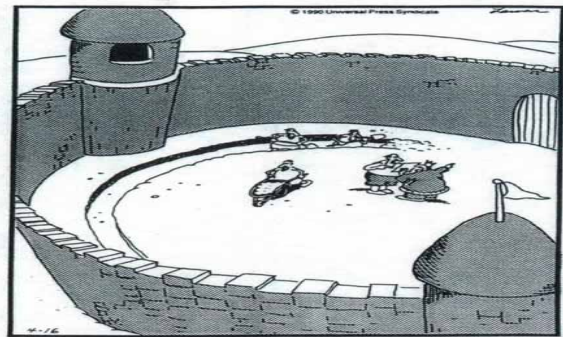
- ▶ Understanding/refining the true needs (*not just the positions*) for all sides

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THE FAR SIDE

By GARY LARSON



Suddenly, a heated exchange took place between the king and the moat contractor.

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Collaboration

The Most Advanced of the Four Strategy Alternatives, with a focus on:

- ▶ Understanding/refining true needs (not just the positions) for all sides - *This requires curiosity supported by excellent active listening skills!*
- ▶ Jointly building creative solutions
- ▶ Increasing the number of issues/players
- ▶ Advancing the relationship
- ▶ Growing the size of the pie



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Strategy vs. Tactic

The Role of Compromise in Reaching an Agreement:

- ▶ This is a vastly overused, and frequently abused, negotiation tactic
- ▶ At its core, it is nothing more than a simple mathematical calculator



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The Orange Exercise

Purpose - Establish a base-line for your current negotiation approach and skill level



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The Orange Exercise

What are the key learnings from this exercise?



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Session 2

When should You Use Each Negotiation Strategy?



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When is Compromise a Recommended Tactic?

A fit only when:

- ▶ Late in the negotiation process;
- ▶ “Spread” is narrow and only for a single issue; and
- ▶ The play is tied to an agreement.



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When to Use Avoidance

A best fit for a:

- ▶ Minimal issue
- ▶ Better option in hand



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When to Accommodate

It is a fit for when:

- ▶ You have a weak power position;
- ▶ No other options in play; and/or;
- ▶ Mistakes of commission or omission



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When to Compete (go win-lose)

Use with an opponent:

- ▶ Not capable of collaborating;
- ▶ Not worth the effort; or
- ▶ Who is a one off/no relationship potential.



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When to Collaborate (play win-win)

For negotiations when you have ALL of the following in place, *or with a chance to develop them.*

- ▶ A significant relationship or opportunity for establishing one;
- ▶ Access to true decision makers;
- ▶ Capable and willing players/teams on both sides;
- ▶ Trust is in place; and
- ▶ Identified/recognized gaps between how the other side is negotiating, or usually does so, and best practices.



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Recognizing and Managing Your Own Negotiation Tendencies

Discussion of Your 40-Question Pre-Work Self-Assessment



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Reading the Other Side

Some Information Sources:

- ▶ Your own prior encounters
- ▶ Organization culture
- ▶ Others with whom they have negotiated
- ▶ Questions they ask
- ▶ Degree of flexibility shared
- ▶ Emotional vs. rational positions
- ▶ Pace at which they communicate



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DISC Personality Profile Impacts on Negotiation Strategies - Anticipating the Other Side.

While not a perfect predictor:

- ▶ **Compliant** styles tend to *avoid* or *accommodate* to protect the status quo (hate change)
- ▶ **Dominance** styles tend to open *competitively*, but will *selectively collaborate* (hate failure)
- ▶ **Influencer** styles *love collaboration*, but tend to lack focus (hate boredom)
- ▶ **Steadiness** styles tend to *avoid* public decisions and seek perfection (hate mistakes)

Which style should you most want to negotiate with to produce the best outcomes?



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Session 3

Preparing for Negotiations



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Proficient Negotiators Build and Use Clear, Simple and Repeatable Process



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The Preparation Process

- ▶ It all comes down to building the right attitude, and assembling the right information
- ▶ Review the situation -
What you know, and what you don't know
- ▶ Construct questions to fill any meaningful gaps
- ▶ Revisit history - Organization and individuals
- ▶ Consider the BATNA (Best Alternative To a Negotiated Agreement) for all sides



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The Critical Role of BATNAs



- ▶ BATNA availability determines leverage
- ▶ If none in hand, look to build one
- ▶ If you don't have or can't build one, use carefully controlled accommodation
- ▶ Perceptions are more impactful than realities
- ▶ Be careful of using ultimatums (*watch what you say, and do what you say*)

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The Preparation Process(*Continued*)

- ▶ Work to separate positions from needs
- ▶ Know your negotiation chips, and anticipate the other sides' (more to follow)
- ▶ Build out multiple options, with room to move for each one
- ▶ Carefully consider/script key communication points
- ▶ Think thru how each option will be shared



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Note: The Importance of Negotiation Issues Varies, and Can Change Over Time



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Identifying Issue Importance or Chips

The Importance of Issues for Each Side:

- ▶ Non-negotiables (**Red Chips**) - Deal Killers (Legal/ethical and situational)
- ▶ Core Chips (**Blue Chips**) - Can negotiate, but painful
- ▶ Bargaining Chips (**Green Chips**) - Issues that are easy to move on, but do so *only* if you get something of value back in return

Let's discuss: Besides price/money, what are chip issues you regularly encounter?



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Chip Identification Discussion:
How can you spot the color for the other side?



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Chip Alignment Drives the Negotiation

Chip Impacts on Strategy Deployed

- ▶ Non-Negotiables/Reds incompatible - Stalemate
- ▶ Core Chips/Blues the Same - Competitive
- ▶ Blue Chips match Green Chips and visa versa, and Reds compatible - Collaboration with fairly prompt agreement



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Preparation Continued: Building
Your Three Levels for Every
Issue in Every Option

Limit Level (sometimes called walk-away)

Base Level

*Value/
Opening Position*

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Session 4

Tactics for Gaining an Advantage in
Competitive Situations



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Why is it Natural for Negotiations to be Competitive Encounters?



- ▶ They are inherently zero-sum games
- ▶ There are multiple constituencies, each with different, and often poorly defined and unshared, needs
- ▶ Emotions can easily take over
- ▶ There is frequently significant time pressure
- ▶ Everyone is operating at over 100% capacity - *Pressure makes people more competitive.*

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When is it *Not* Win-Win-Win?



The following are indications:

- ▶ Refusal to share needs
- ▶ Ongoing position restatement
- ▶ Attacks on you/your organization
- ▶ Use of competitive tactics
- ▶ Posturing

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What is Posturing?

Stating old information that is negative about, or damaging for, the other side. It is designed to confuse, intimidate and lower the expectations of the other side.



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Your Posturing Response



When they posture, you must:

- ▶ Pay attention
- ▶ Neither agree nor disagree
- ▶ Take no notes
- ▶ Point out inaccuracies (*time out*)
- ▶ Return "volleys" when they are done

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How to Go Competitive

Rules of Engagement:

- ▶ Anticipate the consequences for you (*BATNA?*)
- ▶ Keep the option to *walk away* open
- ▶ Create a perception of "firmness"
- ▶ Control your emotions - use their's against them
- ▶ Premeditate your tactics
- ▶ Avoid being easily anticipated ...



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Going Competitive (*Continued*)

Rules of Engagement:

- ▶ Set aggressive value positions
- ▶ Be impervious to pressures
- ▶ Protect your base like it is your limit
- ▶ No deal is often better than a bad deal
- ▶ No panic



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The Role of Competitive Offensive Tactics: Proactively Generate Concessions or Accommodations



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Ethical Offensive Tactics

Know and/or use the following:

- ▶ Direct accommodation requests
- ▶ Counter offers - using your **Green** Chips to get help with your **Blues**
- ▶ Investment in time
- ▶ Question their logic on their **Red** and **Blue** Chips
- ▶ Using vague promises ...



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Offensive Tactics *(Continued)*

Know and/or use the following:

- ▶ Good-guy/bad-guy
- ▶ Nibbling



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Defensive Countering Tactics: Anticipate & Respond



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Tactic 1: Higher Authority

- ▶ Do your homework on all decision makers on the other side
- ▶ Meet with their higher authority
- ▶ Secure authority commitment - *get it early in the process*
- ▶ If planned participants with authority are not present, postpone discussion of your **Blue** Chip issues
- ▶ Secure support commitment from those present for anything you propose
- ▶ When possible, use contingent commitment with minimal investment - *Objects in motion ...*

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Tactic 2: Time Pressure

- ▶ Use absent higher authority on our side
- ▶ Conceal your deadlines
- ▶ No postponing your Non-Negotiables (**Reds**) or Core Chips (**Blues**)
- ▶ Emphasize the need for an acceptable deal for all



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Tactic 3: Good-Guy/Bad-Guy



- ▶ Indicate tactic recognition
- ▶ Reverse the play with our own "Badder Guy"
- ▶ Ignore the tactic
- ▶ Let them grow weary of their bad guy

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Tactic 4: Escalation

(An unethical tactic, but is used)



- ▶ Do your homework on history
- ▶ Use your unhappy higher authority
- ▶ Reciprocate - escalate back to your value positions
- ▶ Point out that this is an unprofessional tactic with long-term implications

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Tactic 5: Ultimatums



- ▶ Point out the negative effects from taking this stand
- ▶ Question its consequences
- ▶ Take a break/let them cool off
- ▶ Call their bluff
- ▶ Use your own higher authority (*who is unavailable*)

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Tactic 6: Nibbling



- ▶ Tie the deal down
- ▶ Use unhappy higher authority
- ▶ Make them feel cheap
- ▶ Clarify deal modifications for changes
- ▶ Make them feel good about the deal they earned

Note: If you smile too much ...

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Session 5 Becoming an "A Level" Negotiator by Effectively Managing Concessions



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Comparing Accommodations vs. Concessions

- | Accommodations | Concessions |
|--------------------|----------------------------|
| ▶ One side gives | ▶ Both sides give and get |
| ▶ One issue | ▶ Multiple issues |
| ▶ Reactive | ▶ Proactive |
| ▶ Weak power | ▶ From strength |
| ▶ Unilateral gives | ▶ Bilateral chip maneuvers |

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Concession Guidelines

Proficient Negotiators follow these Guidelines:

- ▶ Don't default to price first
- ▶ Don't concede first
- ▶ Plan your first three concession moves
- ▶ Tie each move to a reciprocal request
- ▶ Move on Bargaining Chips (Greens) to get help on Core Chips (Blues)
- ▶ Start with only a modest amount (<10%) ...



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Concession Guidelines (Continued)

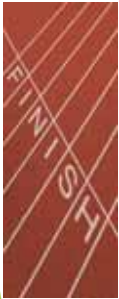
Proficient Negotiators follow these Guidelines:

- ▶ Scale back movement size
- ▶ Bargaining Chips (Greens) aren't throwaways
- ▶ Make No concessions after agreement is reached
- ▶ Keep an addendum of excluded items/changes and impacts (*prepare for them to nibble*)



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Wrapping Up Negotiations



When you get a verbal agreement you still must:

- ▶ Reinforce the process if collaborative;
- ▶ Confirm all the components of the deal verbally, and then in writing;
- ▶ Praise the deal in terms of the meeting of everyone's needs;
- ▶ Never ever share if you had more flexibility than they got; and
- ▶ Briefly discuss means to improve if the process was flawed.

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Workshop Wrap-up



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Pearls of Wisdom



- ▶ Become a student of the game
- ▶ Use your repeatable process for preparation (every time)
- ▶ Know your own tendencies/ anticipate other side's
- ▶ Resist accommodations
- ▶ Read the chips (for both sides)

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Pearls of Wisdom *(Continued)*

- ▶ Use silence as a tool/weapon
- ▶ Treat Negotiaphobia: E-A-S-Y
- ▶ Utilize ongoing skill development tools



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Thank You!

*I Wish You Even Greater Success in your life,
and your negotiations*

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