

NEGOTIATION STRATEGIES

A Contingency Model

1. INTRODUCTION

Aims

Given that so much has been published about negotiation, why then have we produced yet another model? There are several reasons. First, negotiation strategy is of vital importance to everyone. Second, everyone negotiates but not everyone negotiates well. Third, the model used is easy to understand. Fourth, the model works in practice.

Successful relationships, industrial harmony, business growth, stimulating careers, enterprise agreements, group problems solved, good buys are all based on an understanding and application of effective negotiation strategies. The cost of ineffective negotiation strategies is high in terms of money, time and stress!

Formal and Informal Negotiations

The model varies from other models in that it applies to both informal and formal negotiations. In fact, the more skilled we become at informal negotiation, the more likely we are to perform well in formal negotiations.

Decision-making and Problem-solving

Whenever people attempt to reach agreement, they exercise some form of negotiation. Indeed, all decision-making and problem-solving in a social context involves negotiation strategies. The nature of outcomes depends on competition versus co-operation; short-term versus long-term focus; rigidity versus flexibility; emotionality versus rationality; concrete versus abstract thinking; narrow versus broad perspectives; distrust versus trust.

Experience and Maturity

People learn to negotiate from a young age. As they grow, they acquire a more sophisticated understanding of the negotiation process and develop more effective skills. The range of strategies used increases with experience and maturity, especially if they deliberately vary the strategies they use and reflect on the outcomes. In negotiation, there is always something new to learn!

The Chess Analogy: A Vital Difference

In the game of chess, the basic moves are simple; however, the possible combinations of moves are infinite. A similar paradigm applies to negotiation, with one notable difference. Most chess players know all the basic moves of chess; few negotiators seem to be aware of the full range of fundamental negotiation strategies.

Range of Applications

Widespread development and application of negotiation strategies has the potential to reduce the incidence of divorce, enhance business development and promote more effective employee relations. The cost of unresolved conflict is enormous. Education in negotiation strategies offers a proactive solution.

2. EARLY DETECTION IS THE KEY

The success of any negotiation depends partly on our own approach and partly on the approach adopted by those with whom we negotiate, and neither is fixed. If we tune into the motives and strategies of the other party at an early stage of the negotiation, we are more likely to emerge with sustained gains and benefits, reduced costs or losses and long-term mutually beneficial relations.

The *Law of Reciprocity* also plays a part. If we behave in a positive way towards others, we are more likely to attract similar behaviour from them. However, not everyone reciprocates! Some see it as an opportunity to exploit. Detection of the other party's intentions **before** making a substantial commitment is the secret of survival in negotiation.

3. THE CONTINGENCY MODEL

The contingency model of negotiation provides an outline of the fundamental strategies and consequences, cues for early identification of the other party's intentions, counter-strategies for the versatile negotiator. This model is based on a blend of psychological theory, commercial, organisational and industrial experience and years of practical application. The model has been used in resolving industrial disputes, formulating enterprise agreements, clearing organisational impasses, developing negotiation skills and, along with other interactively-developed models, conducting organisation development workshops.

A vital feature of the model is that it is expressed in terms that most people can understand and readily apply to situations of interest or concern.

4. FOUR FUNDAMENTAL STRATEGIES

There are four fundamental strategies of negotiation. They are coercive or tough strategies, manipulative or slick strategies, calculative or smart strategies and collaborative or wise strategies. We have found that many negotiators focus on smart strategies as being the most appropriate to adopt. For them, negotiation and bargaining are synonymous. The truly successful negotiations occur when both parties adopt wise strategies. But it takes two to tango! For example, in a wise-versus-tough negotiation, the tough negotiator often records a short-term victory. A discussion on each of the four fundamental strategies follows.

Tough Negotiation Strategies

The behaviours observed in coercive or tough negotiations include arguments, confrontation, conflict, aggression, demands, threats, abuse, criticism, stand-over, stand-off, blackmail, sabotage and passive resistance. The outcomes of tough negotiations are typically deadlock, impasse, no result, walkover, win-at-cost, lose/lose, bitter, resentful relationships, strong desire for retaliation or revenge by one or both parties.

There is often a win/lose attitude, low trust and feelings of hatred. Self-esteem is often low, with perceptions of desirable outcomes narrow and limited. Emotional behaviour may cloud rational analysis. As non-resolution persists, parties experience mutual frustration.

Slick Negotiation Strategies

Manipulative or slick negotiations are characterised by deception in the form of lies or pretences, denial of actions or intentions, hidden agendas, withholding critical information, promises, glossovers, special deals, urgency to reach an agreement or settlement, reluctance to provide specific information, glowing assurances about the outcome.

The outcomes of slick negotiations may be positive in the short-term but turn sour when the nature and source of deception is discovered. Feelings of satisfaction often turn to outrage. Victims may feel resentment towards the other party for fooling them and annoyance at themselves for being fooled. Slick negotiations have a short-term focus. The aim is to reach agreement quickly while the other party is *hot*. If they have time to think about the offer, collect

further information or consider alternative offers, they may reject the offer. Limiting the other party's scope and vision is therefore a key ploy in slick negotiations.

Smart Negotiation Strategies

Calculative or smart negotiation strategies are characterised by bargaining, haggling over price, trading concessions. The typical outcome of bargaining and trading concessions is compromise. Smart negotiators do their homework. They know their opening bids and their fall-back position. They won't give without getting something in return. They make educated guesses about the other party's bids and fall-back positions as well. They know at what point they are prepared to walk away from the negotiation. Smart negotiators endeavour to find out the other party's *shopping list* but are reluctant to declare their own. In other words, they try to find out what the other party wants and how important it is to them without indicating what they themselves want and how keen they are to have it.

Wise Negotiation Strategies

Collaborative or wise negotiation is characterised by openness on their part and genuine interest in the other party's wants and concerns. The critical activity of wise negotiation is joint problem-solving and the formation of long-term relationships. Wise negotiations are associated with mutual trust, contributing freely, a sense of equality and the search for creative solutions that meet the wants and needs of both parties. Wise negotiation strategies produce the classic win-win outcome. In wise negotiations, people often do not see that they are negotiating at all.

5. CROSS STRATEGIES

As mentioned earlier, if a wise negotiator deals with a tough negotiator, the tough will tend to win in the short-term at the expense of the wise. Similarly, a slick negotiator may also have a short-term win over a wise negotiator. Smart and wise negotiators are looking for a long-term agreement or solution. The key difference is their perception of scope. The smart negotiator tends to assume that the *size of the pie* is fixed whereas the wise negotiator may explore the possibility of having a larger pie, two pies or something else altogether.

6. THE VERSATILE NEGOTIATOR

The versatile negotiator usually prefers to deal with wise negotiators in wise mode because the outcomes are far superior. However, the other party is not always so obliging. When the other party adopts a tough, slick or smart strategy, the versatile negotiator changes tack and uses an appropriate counter-strategy. The secret of survival and success is early detection of the other party's intended strategy.

7. STRATEGY DETECTION

Experienced negotiators are skilled at disguising their intentions. Notwithstanding, they may give themselves away if you look for certain signs. This section focuses on detecting the more subtle forms of negotiation strategy.

Detecting Tough Strategies

The moment you detect a threat, however subtle, you know you are dealing with a tough negotiator. Demands can also be expressed in less obvious ways, such as deflecting the source of the demand on to a third party or circumstances outside their control.

Detecting Slick Strategies

The epitome of the skilled slick negotiator is the presentation of reasons or arguments that, on face value, appear eminently plausible but would not stand up to checking or close scrutiny. There is usually urgency, or secrecy about the decision, to limit scope for checking.

Detection of Smart Strategies

Smart negotiators are often cynical or *hard-bitten*. Their belief in the good will of others has been sorely tested. As a result, they are reluctant to give unless they receive something in return. They are *price conscious* and vigilant as to whom is getting what.

Detecting Wise Strategies

Wise negotiators are open. They will declare their shopping list. They typically take a long-term view. They are interested in the implications for both parties and are ready to use their lateral thinking abilities to solve mutual problems.

8. COUNTER-STRATEGIES

Not all negotiations produce a positive outcome for both parties. On some occasions, the best you can hope to do is contain your costs or cut your losses. Early detection places you in the best position to do so. If you are heavily invested, it is hard to leave.

Countering Tough Strategies

Why do people negotiate tough? There are two sets of motives ~ fear or frustration, and powerlust, greed, ego. The ways of countering them vary.

Fear-based tough strategies are often characterised by irrational behaviour. Frustration may be seen in the form of exasperation or aggression. The best way to deal with these situations is to defuse them, calm the other party down or wait until they have calmed down, and then attempt to counsel them through the fear or frustration. Be prepared for the fact that they might reject offers of assistance.

Power-based tough strategies call for a different approach. If you meet them with aggression, it may well lead to conflict. Certainly, there will be feelings of bitterness or resentment. On the other hand, a passive approach invites being walked over.

Assertiveness and the offer of a deal is usually the most you can attempt in this situation. This approach tends to work if you can match the other party's power. If the other party is unrelenting and clearly more powerful, your best options are either to capitulate quickly or leave the scene.

Countering Slick Strategies

The best approach to countering slick strategies is to go with them but keep seeking additional information until their *story* either stands up or breaks down. Look for opportunities to test their propositions and pin them down on critical detail. When pressed for an urgent decision, stall for time to check it out. If they want to shroud the negotiation in secrecy, avoid making a commitment to secrecy. Be prepared to walk away from the negotiation. Slick negotiators are often more desperate to do the deal than they would have you believe.

Countering Smart Strategies

The best way to counter smart negotiators is to match them at their own game. They do their *homework*. You do yours. They invent concessions for trade. You do likewise. They show a keen interest in your *shopping list*. You show an interest in their *shopping list*. Remember, smart negotiators want to do a deal at an acceptable price. Again, be prepared to walk away from the negotiation.

Encountering Wise Strategies

It is inappropriate to use the word counter when dealing with wise negotiators, unless you intend to use a strategy other than wise. Wise negotiators are looking for long-term relationships and mutually beneficial outcomes. This is simply good business. Wise negotiators will tend to share information freely and will expect you to do so as well. But be careful. Highly experienced slick negotiators may pose as wise. The moment you become aware that critical information is being withheld, you know you are dealing with a poser. Dealing with genuinely wise negotiators can be richly rewarding. Build trust and engage in joint problem-solving, the more creative the better!

9. THE MODEL IN SUMMARY

Two dimensions that serve to provide an overview of the model are competitive and co-operative attitudes, short and long-term time orientations. The four fundamental strategies are shown below in relation to these dimensions.

TIME ORIENTATIONS	ATTITUDES	
	COMPETITIVE	CO-OPERATIVE
LONG-TERM	<i>Smart</i>	<i>Wise</i>
SHORT-TERM	<i>Tough</i>	<i>Slick</i>

A summary of the four strategies in relation to interaction, outcomes, feelings and response to uncertainty is presented below.

Negotiation Strategies: A Summary				
Negotiation Strategies	Interactive Behaviours	Results & Outcomes	Feelings Affect	Response to Uncertainty
Coercive (Tough)	<i>Demands Threats Conflict</i>	<i>Walkover Win-at-cost Deadlock</i>	<i>Revenge Bitterness Frustration</i>	Control issues with power & brute force
Manipulative (Slick)	<i>Pretences Withholding Information</i>	<i>Deception Hollow Agreements</i>	<i>Satisfaction until found out/Outrage</i>	Avoid issues with lies & defences
Calculative (Smart)	<i>Bargaining Trading Concessions</i>	<i>Compromise Package Deals</i>	<i>Satisfaction at reaching agreement</i>	Meet issues with competence & anticipation
Collaborative (Wise)	<i>Creative Problem Solving</i>	<i>Win/Win Long-term Relations</i>	<i>Elation Esteem Confidence</i>	Meet issues with creativity and initiative

10. STAGES OF NEGOTIATION

Every negotiation is different. Even so, most negotiations proceed through several stages which are similar. The seven stages that we have identified are preparing, initiating, testing, proposing, agreeing, implementing, evaluating.

Obviously, **preparing** refers to thinking through the agendas and strategies for a particular negotiation. It also involves information gathering about the 'market' you are in, including options, quality, prices (monetary and other) and in what timeframes they are available. In preparation, it is essential to work out what you want and what you can afford.

At a broader level, it also refers to the development of awareness and skills to deal with negotiations as they occur. Skill development in informal negotiations aids performance in formal negotiations. As informal negotiations occur on a daily basis for most people, there is ample opportunity to increase awareness and exercise strategies and techniques. Negotiation is the most vital skill, commonly used!

Before a negotiation occurs, there is usually some form of initial contact. You make a telephone call to check availability and price. When you stroll around a showroom, a sales consultant approaches you with: Good morning! Do you need some help? At a market, you inquire about the price of an item for sale. This is the **initiating** stage.

The next stage is the **testing** stage. One of the main things you are testing at this point is whether you want to do business with this person or company. Sales people are often skilled at developing a relationship quickly. They will share information about themselves to gain your trust. They will seek information about you in the nicest way possible. Testing and relationship-building go hand-in-hand. In some cultures, a lot of time is spent on this stage before doing business. This stage may also include sensing what strategies the other party is likely to use, what their agendas are and at what point they are likely to walk away. In other words, test the limits.

The real business begins when one party starts **proposing**. The initial proposal may be met with acceptance, rejection, a counter-proposal or an appeal for time. In analysing proposals and counter-proposals, they are often compared with other options, and the implications of the various proposals and options are considered. The offer of a 'package deal' is one way to turn an unacceptable proposal into an acceptable one. The use of the four negotiation strategies and their counter-strategies is most apparent at this stage.

Eventually, both parties may reach a situation where a viable option emerges. They arrive at a proposal to which both parties can **agree**. However, it is one thing to reach agreement and another to sustain it. Communication about the agreement is vital. Sometimes parties to an agreement walk away with quite different ideas about what they have agreed. It is often a good idea to reduce the outcomes of an agreement to writing. Effective **implementation** means that both parties deliver on what they have agreed!

Evaluating a negotiation involves reviewing the outcomes against expectations. Did we actually get what we wanted and what we agreed? Whether we evaluate consciously or unconsciously, we usually do it as a natural process. One of the key things we consider in evaluation is whether we want to do business with that party again and, if so, on what terms? The outcomes of previous negotiations often have a significant bearing on current or future negotiations.

11. WAYS AROUND IMPASSE

Unfortunately, not all negotiations lead to a successful conclusion. Sometimes they become deadlocked or reach an impasse. This means a lose-lose result. No one gets what they want.

Impasses occur because one or more parties to the negotiation have fixed ideas about what they want or how to get what they want. Fortunately, there are ways around an impasse, found typically by focusing on the **context** of the negotiation. Context refers to factors in the immediate environment that may influence the progress and outcome of a negotiation.

Context factors in negotiation include:

- human psychological, physiological, social, intellectual, political, cultural;
- physical technical, historical, economic, legal, informational, spatial;
- intangible time, uncertainty, contingencies.

Informal negotiation may provide context to formal negotiations. Informal negotiations may also be used to break a deadlock. Additional information may also break a deadlock. Intangible factors are often a rich source of deadlock-breaking opportunities.

The essential point is to know where to focus attention when confronted with an impasse or deadlock. The general answer is to go to context! We have seen industrial deadlocks, that have taken weeks or months to build up, resolved in hours or just a few days, using the model. A powerful aspect of the model is that it heightens awareness of negotiating behaviours and links them to their consequences. The outcomes of wise or collaborative strategies are far superior to those associated with other strategies.

12. ABOUT THE AUTHOR

Clem Molloy is an organisational psychologist with over 20 years experience in helping organisations enhance the effective working relationships of their people. The model outlined above has proven useful in this regard. It has also been used to resolve protracted industrial conflict and in overcoming apparent impasses. For further information on this model and its applications, you may contact Clem at Eastern Consulting Group on (03) 9863 9853 or mobile 0417 550 891.