

ENTERPRISE

Dialogue can avoid an impasse



Negotiation strategies

■ Raphael E. Lapin

It's a familiar negotiation routine: One party begins with an extreme demand, and the other party counters with an equally extreme demand. They then continue to haggle between the two positions as they try to find an acceptable compromise.

This style is often an adversarial contest of wills in which one or more parties is left feeling exploited. This type of negotiation can also rapidly deteriorate toward impasse as each party digs further into their positions.

Having the skills to overcome impasse effectively is crucial for any negotiator. Here are three approaches:

• **Seek to uncover true interests.**

When presented with a position, do not counter with your position, but probe to uncover their true interests.

A large public relations firm attempted to purchase a small and successful privately-owned advertising agency. The larger firm offered \$5 million, and the smaller firm wanted \$8.5 million. Clearly there was a wide gap in their desired price points. After several stressful and confrontational meetings during which each party attempted to assert and justify its demands, they reached an impasse.

With the help of a negotiation specialist, some good questioning, effective listening and productive dialogue, they were able to go beyond their initial positions and understand each other's true underlying interests.

As it turned out, the public relations firm had a

number of interests in mind when approaching this acquisition including 1) to obtain a controlling share of the advertising agency 2) to be able to integrate operations of both companies 3) to penetrate a new customer base and 4) to expand their portfolio of services to their current customers.

The owner of the advertising agency also had two key underlying interests including 1) to continue managing the agency which he had built and in which he had invested many years and 2) to be involved in the creative side of the business. Once these interests were uncovered and understood, the two parties were able to focus on reaching an agreement that addressed each other's interests.

In the end, the public relations firm obtained 80 percent ownership of the advertising agency, while the owner retained a 20 percent share, continued managing and assumed the position of creative director. They were also able to agree on a price that both perceived as fair.

Understanding each side's true interests will help to advance the negotiations and overcome impasse.

• **Understand their constraints, and design terms that address them.**

When faced with price resistance, work to understand their constraints and limitations, and then design creative ways of addressing them.

An account manager met with his client for a final review of his proposal for an extensive information technology upgrade. Everything was moving along nicely, and the account manager fully expected the client to proceed with the project.

"We like your proposal and believe that this will help streamline our processes and add efficiency to our business," said the client, "but we need you to cut the price by 15 percent."

Confronted with this last-minute demand, the account manager could either succumb to the 15 percent discount, or stand his ground, which would most likely result in impasse.

Instead, the account manager worked to

understand the client's constraints and limitations by asking him how he arrived at 15 percent and how such a discount would help him. He learned that the company had a fixed budget for IT improvements and that a 15 percent cut would help keep them within the annual budget. Armed with this knowledge and understanding, the account manager was able suggest spreading the project over two budget periods thereby addressing the constraints of his client without having to concede on price.

• **Offer to share risks.**

Offer a risk-sharing option when cost seems to be the only thing standing between you and the deal.

A large corporate client was interested in a highly customized software solution. The plan was to implement this new software in one department as a pilot, and if that was successful, to then roll it out to the other departments.

The preferred supplier submitted a proposal that included research and development costs, software and licensing costs and training fees. The client felt that the cost was excessive — particularly because the success of the project was yet unknown.

The supplier suggested sharing the risks by deferring 30 percent of the research and development costs until the software solution was implemented beyond the pilot to another division. This gave the client confidence in the product and the supplier. It also addressed the client's concern about investing in a solution, the success of which was yet unknown.

When dealing with impasse, work to understand true interests, financial limitations and concerns about risks, and then design creative ways to address them. These skills will help enormously toward making you a powerful negotiator!

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