

# ENTERPRISE

## Fairness best when it goes both ways



### Negotiation strategies

■ Raphael E. Lapin

When faced with a negotiation, do you want more than what is fair? Many people will certainly say or think “yes, of course we want more than what is fair.” In fact, often negotiators will perceive a more than fair outcome in their favor as a successful negotiation. This may be true in a game of haggling over an item in a flea market for example, but is it an appropriate negotiation strategy in a sophisticated business setting?

In the early 1930s, Princeton University offered Albert Einstein a position at the Princeton Institute of Advanced Studies. As they were negotiating salary, Einstein suggested an annual salary of \$3,000, a livable salary for those days, but perhaps not commensurate with a man of Einstein’s stature. Princeton insisted on paying him a salary of \$15,000 per year, five times his initial offer, which Einstein accepted. In this case, had Princeton accepted Einstein’s initial offer, they would certainly have gotten more than what was fair. Why then did they insist on a deal that was fair?

When we are engaged in business negotiations, we are negotiating not only the overt issues such as salary, price, terms and conditions, but also the tacit issue of how we will work together moving forward. It is imperative that we achieve an optimal outcome both on the overt substantive issues as well as the tacit issue of our working relationship.

If we push too far on the substantive issues beyond what is fair, we begin to lose on the tacit issue of our working relationship. The other party feels resentment and unhappiness which translates to disloyalty and non-cooperation moving forward.

The head of the Institute of Advanced Studies at Princeton understood this principle clearly as he negotiated salary with Einstein. Had he accepted the \$3,000 offer, he might have “won” on the substantive issue of salary, but he would have lost badly on the tacit issue of Einstein’s commitment and loyalty to the Institute. Seeking more than what is fair in a negotiation is adopting a restricted and limited perspective on the extensive topography of the agreement.

Consider the following example. A school district had sent out RFP’s (Requests for Proposals) to building contractors for an expansion project which involved several schools. Being public work, they were required to go with the lowest bidder. At the end of the bid reviewing process, they invited the lowest bidder in for negotiations. After a series of tactics, tricks, intimidation, and threatening to go with another contractor, they were able to squeeze another 5 percent off an already low bid.

The district’s negotiators were very pleased with the more than what was fair outcome while the contractor felt exploited, resentful and unhappy. As the project proceeded, the school district requested a number of changes. The design team drafted them and the district presented them to the contractor who — determined to make up for his lost profit margins, — quoted exorbitant prices. Furthermore the district noticed that workmanship was substandard and they could not get the contractor to correct the problems without haggling over extra costs or within an acceptable timeframe.

Soon it became evident that the project was falling behind schedule and budget and there was no clause in the contract for liquidated damages. In the end, the building cost the school district more than what one of the higher bidders had quoted originally. By pushing too far on the substantive negotiation, the school district lost hopelessly on the working relationship part of the negotiation. Had the contractor felt that he was fairly and respectfully treated, he would not have felt the anger and resentment. This would have resulted in a very much more successful and satisfying project for both parties.

Having realized the importance of ensuring that the other party is treated fairly, it is equally important to ensure that we are being treated fairly, too. What can we do when faced with a negotiator who is attempting to exploit us to get more than what is fair? An effective technique that we teach and have used ourselves is to very calmly and in a non-confrontational way ask the other party, “Do you want more than what is fair?” and wait silently for them to respond. This question typically redirects the discussion towards establishing an agreement that both parties can accept as fair.

By consistently treating others fairly and insisting on being treated fairly ourselves, we will attain a reputation for being powerful and highly effective negotiators. We will also earn the respect, trust and loyalty from those with whom we negotiate.

**RAPHAEL LAPIN** is a Harvard-trained negotiation specialist. He is principal and founder of Conflict Management, Inc. a corporate negotiation consulting and training group based in San Jose, serving clients across the globe. Reach him through the firm’s Web site at [www.conflict-management.net](http://www.conflict-management.net)