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Negotiation skills: A key tool for finance leaders

An accomplished negotiator offers 12 tips for aspiring leaders to hone their negotiation skills, build influence, and achieve career success.

By Raju Venkataraman, FCMA, CGMA

Negotiating is a science and an art. It is based on principles and methods and requires some psychological skill and lots of practice.

Finance leaders would do well to hone their negotiation skills, be it for balancing multiple interests and making resource allocation decisions, for dealing with external stakeholders like vendors and bankers, or for advocating for oneself with senior executives to ensure one's own career progress.

During more than 25 years of my corporate career, I participated in or led high-stakes negotiations in acquisitions and divestments, intellectual property licensing, and prominent media content services in multiple cultural settings. The battle scars from these negotiations helped me hone skills as a tough-yet-fair negotiator.

Based on my experience, here are my top 12 tips for those aspiring to be ace negotiators:

1. Prepare, prepare, prepare because negotiation is about 80% preparation.

- Before you first meet parties with

whom you are negotiating, take time to gather pertinent information.

- Focus on all dimensions: people, problem, and process — for your side and the other side. (See the chart “Preparing for the 3 Dimensions” for details.)
- Use tools like the downloadable “7 Elements Worksheet” to organise your findings and to align with internal stakeholders. Update it as you find new information.
- Prepare a list of questions you can ask the other party to validate your research and test your assumptions.
- Anticipate awkward questions your counterpart might pose.
- Preparation is not a one-time step. While it's difficult to plan for every possible situation, a good negotiator can adapt quickly, return to the preparation stage to gather new information, and draft a new plan, if needed.

Preparing for the 3 dimensions



Source: Ecsel Consulting.

2. Aim high: Your initial offer should focus on your target terms, not your walk-away.

- Sellers should ask for more than they expect to settle on. Buyers should offer less than they are prepared to pay.
- Justification is critical. Express a rationale for your position.
- Set specific, challenging goals to consistently achieve better objective outcomes. For example: "My aim is to renew at 10% higher than our current rate, and I have the justification for it", rather than "I'll try and get the best possible rate".
- At the same time, learn how to protect yourself against "anchoring" by the other party when they present an extreme first offer.

3. Plan your concession strategy. Trade concessions, don't just give them.

- Unilateral concessions are self-defeating.
- Trade concessions based on the fact that things have different values to different people. Always tie a string: "I'll do this if you do that." Use the "If ... then ..." framework.
- People need to feel that they have "earned" concessions even when you are willing to give them away.
- Identify your negotiable variables in advance. These are items that cost little to concede but are valuable to the other side, such as a cash-rich company securing a discount for early payment to a cash-strapped vendor.
- Be mindful as you approach the end of the negotiation. Most concessions are made under pressure of deadlines when negotiation time starts to run out.

4. Don't over-focus on pressures, vulnerabilities, and deadlines.

- Ask instead, "What are the pressures my counterpart faces?" Your negotiation power derives in part from the pressures on the other party.
- Be a detective and look beyond the other party's expressed position to uncover their underlying interests; otherwise, a lot of value will be left on the table.
- If you over-focus on your timelines, you are likely to give up too much. For

example, if you need to find a new job urgently, you may accept a position at lower pay than you deserve, or compromise on the benefits.

5. Take responsibility for your emotions and recognise the other party's emotions.

- Negotiators who manage their emotions are able to attain and retain more control.
- Cultivate self-awareness of your emotional triggers so you can avoid being riled by something the other party does.
- If you do get triggered, deploy tools such as taking a break, breathing deeply, or walking away to manage your emotions.
- Set an ultimatum only when you really mean it, because ultimatums are like hand grenades — once you pull the pin, there's no reversing without detonating your credibility. Learn how to defuse counterparty ultimatums.
- "Build them a golden bridge", as Chinese general and military strategist Sun Tzu advised. Make it easier for your counterparty to back down and help them save face.

6. Verify your assumptions.

Don't implicitly trust or fall in love with them.

- Stay open to possibilities. If you tell yourself that the other party will never agree to what you're asking, you run the risk of falling prey to your biases and being a prisoner to your assumptions.
- During the negotiation, ask open-ended questions like, "Tell me more about that ..." or "Why would

this feature be so important to you?" This will help you clarify your preparatory assumptions about the other person's interests and concerns.

7. Take the other party from "no" to "yes".

- Embrace "no" as a tactic. As author Christopher Voss says, "Almost all of us are hard-wired to want to hear 'yes' from the other side." We should get rid of this limiting habit. (See the chart "Embracing NO as a Tactic".)
- Being pushed for a "yes" makes people defensive. A "yes" signifies commitment, which can create anxiety and stymie decision-making.
- People feel safer and protected saying "no" instead of "yes".
- Flip your question in such a way that when they say "no", it gives you the "yes" you want.
- Though "yes" is the final goal of a negotiation, don't aim for it at the start.
- Resist the temptation to immediately go into convincing mode for a "yes", when you hear a "no" for your request from your counterpart.
- Aim for information, not agreement. Ask questions to find out why the other side is rejecting your request.
- Tailor your counterargument to the reasons behind the "no". If the reason is a problem — for example, payment terms — then focus on a plan to solve it. If the reason is a feeling — for example, "I'm worried everyone will ask for this" — then listen to uncover the fears and focus on assuaging them. If you launch into convincing mode without full information, you may focus on the wrong argument.

Embracing NO as a tactic



Adapted from *Never Split the Difference*, by Chris Voss, copyright 2016 by Harper Business.

8. Ask good questions, then stop talking, listen, and demonstrate empathy.

- Good negotiators listen more than they talk. Ask probing questions and then listen up. Your counterpart will tell you a lot of what you need to know.
- Encourage your counterpart to talk by asking open-ended questions. Ironically, smart people are more prone to making the mistake of not listening. For instance, someone narrates an experience, and we either start comparing with our situation, "Oh yeah, that's like when I ...", or we go into solution-seeking mode even as they are speaking.
- Choose the question type according to the situation: closed, open-ended, leading, or sequential.
- Gather precise information with a closed question. "Can you state categorically that you have not contracted at a rate lower than this?"
- Explore options with a what-if question. "What if we did it this way?"
- Win people by seeking advice. "What would you suggest to resolve this issue?"
- Paraphrase and confirm what they said, to prevent misunderstanding and convey listening. "Have I got this right? You are saying that ...?"
- Questions can be nonverbal as well — raising an eyebrow, nodding to prompt more, or simply staying silent are signals to the other person to say more.
- Listen with the context of the body language. As leadership coach John Maxwell said, "People may hear your words, but they feel your attitude."
- Non-face-to-face negotiations (email, phone, messaging, etc.) must be more nuanced since you can't observe body language of the other party.

9. Recognise and block tactics by your counterpart.


- Good cop, bad cop is a tactic where one person is confrontational and demanding while the other is understanding and supportive. The first thing you must realise is that both are on the same side. One way of handling this is to explicitly call out their tactic. Another way of addressing the situation is to shift your focus to the good cop only

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rather than getting caught up in the power play.

- To counteract the "I'm not authorised" or "My hands are tied" tactic, be sure to clarify routing and approval procedures in advance so that they can become part of your negotiation strategy.
- If you encounter what appears to be a false deadlines tactic, beware of Chicken Little insisting the sky is falling; verify that it really is urgent and what is the nature of the urgency.

10. Determine when to walk away from the negotiation.

- Know what success looks like and the minimum outcomes you must achieve. Think about what your walk-away point is if you cannot achieve them.
- Avoid rushing into a deal at any cost because it turns you into fresh meat in a shark tank.
- Although it may be more beneficial to achieve a successful outcome in a negotiation, you'll gain confidence when you know that you have researched viable alternatives and have a strong BATNA (best alternative to a negotiated agreement) that you continue to keep alive. This tactic may be less applicable to internal negotiations.

11. Don't let the perfect fight the good enough.

- Make a conscious effort to distinguish big (must-have), medium (intend-to-have), and small (nice-to-have) issues. Most, if not all, deals involve some compromises and are thus imperfect.
- Determine how important remaining issues are.
- Ask yourself whether it would be

better to squeeze the last penny out of this deal or to spend that time on another deal.

12. Focus on closing.

- Successful negotiators know how to close. They consider every element of closure: time, place, documentation, pending issues.
- When relying on lawyers to draw up the official contract, share the motivations behind the deal with your lawyer to ensure that it captures the deal in letter and spirit.
- Similarly, in internal negotiations, email your understanding of the discussions and agreement reached and get it confirmed by the other party.
- Finally, at the end of every major negotiation, it would be good to perform a review and assess what went well and what you could have done better. This will ensure you keep improving your negotiation skills. ■

Resource

Podcast episode

"Basic Skills of a Successful Negotiator", FM magazine, 4 September 2018

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