

Management

Negotiate Value, Not Price, To Achieve Better Business Outcomes bang

By MOREY STETTNER

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Some managers are so eager to be liked that they let employees run the show. A similar trap befalls poor negotiators.

If you're unwilling to play hardball, you can grant concessions too quickly and weaken your negotiating stance. Rather than reach a mutually acceptable agreement, you'll wind up going too far to make others happy.

"If you prize harmony above all else in a negotiation, that's naive," said Horacio Falcao, affiliate professor of decision sciences at the Singapore campus of Insead, an international business school. "You don't want to cater solely to the relationship and throw money away to salvage the relationship."

Savvy negotiators balance their desire for a respectful relationship with their goal of exploring creative solutions to thorny problems. While it's easier to respond to demands with an unconditional yes, they prefer the harder route of setting conditions and pushing for alternatives even if that means more dickering.

Self-employed professionals often bend over backward in negotiations to preserve a harmonious relationship with a valued client. As a result, they may concede too much, too soon.

Falcao cites the example of a business owner who tells a consultant, "We'd like to stick with you after all these years. But we need a discount."

Rather than readily grant a discount, a skilled negotiator should reply, "You're a longtime client, and I'm glad to help you out. Help me understand your situation, and let's work together on this."

Quid Pro Quo

One of Falcao's consulting clients recently sought 10% off his services. He responded, "If you give me a certain volume of business this year, I can give you a volume discount."

"So we discussed our different fiscal years and how to allocate training days to the proper fiscal year," recalled Falcao, author of "Value Negotiation." "I gave a 10% discount while generating more volume, so we created good value for each other."

Never give a discount just to improve the relationship. If you do, the client might ask for more discounts in the future.

"Eventually, you'll be paying to maintain the relationship and it'll become a one-way relationship," Falcao warned.

Another error misguided negotiators make is proposing a range rather than a specific figure. You may think that offering a range makes you seem flexible and accommodating, but it's really a cop-out.

"Don't give ranges. They show insecurity," he said. "Others will always pick the best end of your range and you can't object because you gave out that number."

Alternatively, he suggests discussing new ways to think about the problem and creating solutions that both parties value.

For example, you can broaden the terms to include benefits beyond money. Introduce other forms of currency such as providing extra resources or upgraded service.

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