

HumanResources

The smart HR professional's blueprint for workforce strategy

How to get your way in negotiation

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NEGOTIATION

Global - The difference between a "win-lose" and "win-win" situation is the level of power two parties choose to demonstrate during a negotiation, according to INSEAD Professor, Horacio Falcao.

Falcao told INSEAD Knowledge that "it's all too easy to make full use of a power play in negotiations to get what you want, with the winner taking all and the loser walking away empty-handed". Negotiators should be looking to develop "win-win" strategies that allow all parties to capture some value, or at least feel that they were being treated fairly in the negotiations instead. "Instead of wasting all of these energy and resources [on power struggle], we now can invest them in creating more value."

Falcao recommends that negotiators should try making power irrelevant. He says, "We need to try to persuade the other person of the potential outcome without the need for power."

If negotiators do indeed adopt a "win-win" perspective, which is at the heart of the value negotiation concept, they should be focusing on negotiating meaning or value, rather than concentrating on numbers and price. Bargaining tricks "reduce value claiming to numbers only," Falcao writes in his textbook *Value negotiation: how to finally get the win-win right*. "And yet numbers can mean a variety of things", depending on the situation.

Falcao says value creation is not so much about creativity but, rather, good value discovery (exploring interests) and generation (creating options), which happen if the parties manage to overcome some obstacles to value creation. But he says there has to be a balance in creating value and claiming the right amount of value for each party. "If I create a lot of value and I don't take any of it home, I've failed," Falcao says. "And if I tried to take value home and the other person's more powerful, I wind up taking little or nothing as well."

Falcao adds, "So in the sense that value claiming is important we believe that we should be positive but not naive. We should always be positive to try to seek something that is our fair share."

Solutions

For good value creation, we need to manage complexity and avoid the temptation for early commitment, Falcao says. One simple solution to handle both obstacles is to develop the package systematically. In other words, we do not agree to any one idea in isolation, but rather a coherent package or system of options. By developing the package analytically, we would be unlikely to commit early to any isolated and disconnected option. It also manages the complexity of having several options as it creates a rationale that links and balances them together.

In addition, seeing the internal and external value creation enemies as the true negotiation enemies helps to unite the parties against them. So direct your counterparties' attention to the

value-limiting factors in your negotiations and invite them to come up with solutions to overcome these enemies or obstacles.

As for value claiming, make sure that whenever numbers are discussed, do not just say 'yes' or 'no' to the number. Instead, ask: "Where does this number come from?" to help the parties discuss the rationale, meaning and thus value of each number to the parties. This will move the parties from bargaining positions to engaging in a joint exercise of finding the number that has the right meaning and value for all involved, and so increase the chances that each of the parties will be able to claim their fair share.

This is the second article of a three-part series on strategies for value negotiation by INSEAD Professor Horacio Falcao. The first part of the series "Negotiating to win" can be found here.

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