

# Negotiating real-world relationships in Professional Services

Developing  
**negotiation skills**  
- an overview



**Huthwaite**  
improving sales performance *International*

# Faith in Win-Win waning?

*Whither is fled the visionary gleam?*

*Where is it now, the glory and the dream?* **William Wordsworth**

*Never give a sucker an even break.* **W C Fields**

Pardon the cynicism, but a lot of the people we speak to these days are feeling a bit cynical.

We've been told for as long as we can remember, and especially by management gurus over the last decade, that we live in a win-win world. There's no other way to do business effectively. Win-win is the name of the game and long-term partnering between clients and suppliers is the goal.

And, yes, of course there are some companies who say they play win-win and do really practise win-win in their business dealings.

But when some of the world's largest conglomerates come to us saying, "We need help with our negotiations; we're being screwed by our clients", we start thinking that maybe there is a large minority, or even a majority of companies out there who pay lip-service to win-win, but play win-lose.

By negotiation, we mean the process of bargaining by which client and seller contract to heads of agreement or terms and conditions. In an ideal world, this satisfies both parties' most important interests. Typical issues could include fees or timescale, the scope of the contract, the service levels to be provided and the personnel who will work on the client's account.

So what happened to the utopian vision of a win-win world? Another well-known quotation explains it perfectly: "Power tends to corrupt, and absolute power corrupts absolutely."

When one side in a negotiation perceives a power imbalance in their favour, win-win tends to go out the window. In most commercial negotiations the buyers feel they have more power, so it's the sellers who end up on the wrong end of a blackmail gambit: "Give way to all our demands or you don't get the business."

## To err is expensive

Too often the sellers cave in and (with a really helpful mandate from their senior partner, like "get the business at all costs") accept their lose-win position. They make concessions until the deal is barely profitable and, having got the business, resent having to service the account. The clients try to rationalise the ethics of their position and can never quite understand why they don't seem to get service with a smile. Long term, the deal is lose-lose.

In the end, neither party really benefits from this situation, so we should ask the question, why does it arise? Given that buyers will too often act in their short-term interests, we have to conclude that most of the 'blame' for the eventual lose-lose outcome lies with the sellers' ineffectiveness.

## Mistake: Negotiate too soon

Sellers of Professional Services too often try to 'buy' business, instead of developing needs and building the perceived value and uniqueness of their solution. They may claim they are negotiating, but in reality they are offering unilateral discounts and concessions in the hope of winning the business. Even if it is successful, this tactic is likely to result in difficult fee justification, and further demand for discount after the contract is signed. The golden rule is to create a desire to do business, i.e. sell first, and finalise the terms of business, i.e. negotiate, later.

## Mistake: Negotiate over too few issues

Even if they obey the golden rule to delay negotiating, there is still a good chance that our seller will be faced with a professional buyer: companies buying Professional Services are becoming increasingly aware of the value of the professional negotiator! The buyer's strategy will be to commoditise the seller's offer ("We can buy that anywhere"), to limit the negotiation to simple price issues and demand unilateral concessions. The seller must have the skills to maintain differentiation ("You can't buy this solution anywhere"), to introduce many issues other than price and to trade concessions – "We can always reduce our fees if you will accept a reduction in the scope of the service."

## Mistake: Lots of ways to lose in negotiation!

This is merely the tip of the iceberg. Lack of strategy, unclear objectives, failure to plan adequate trading ranges or anticipate the other side's tactics, inability to handle deadlock and unethical tricks, can all result in a bad outcome for the seller.

In a nutshell, then, the questions are: how do you plan for win-win and how do you handle someone who is playing win-lose?

# Real-world wins with Huthwaite

Huthwaite has been investigating the process of complex, high-value selling for more than thirty years. Our mission has always been to research what it is that exceptional performers do differently which distinguishes them from the mass of merely average performers.

Nobody would disagree that negotiation is critical in commercial relationships: it is the process which concludes a major sale and determines its ultimate profitability for the seller; but it is also the process by which, through renegotiation, client relationships either evolve to mutually profitable maturity or break down in acrimony.

## The research sample

Huthwaite's approach to negotiation focused on three issues: strategy, tactics and face-to-face skills – starting from big concepts and moving to ever-finer points of detail.

Since we were looking for real-world solutions the first step was to find real-world research subjects. Researchers selected a group of 49 'skilled' negotiators who met three criteria.

- Track record of successful negotiation. It wasn't luck – they had some 'system' that worked time after time.
- Rated as effective by both sides. They could consistently engineer deals that kept both sides happy.
- Low incidence of implementation failure. There were no tricks – when they did a deal, it stuck.

The behaviour of this skilled group was compared with the behaviour of the people they negotiated with – a random group of, by definition, 'average' ability.

## Research methodology – Behaviour Analysis

Over a total of 103 negotiations the Huthwaite research team observed thousands of hours of the preparation and planning for major negotiations. Their main interests were the negotiators' mindsets, the content and duration of their discussions, and the analytical methods they used.

During the actual negotiations, face-to-face skills, apparently unmeasurable, were researched using Behaviour Analysis, a methodology that Huthwaite pioneered. Behaviour Analysis divides conversations into different categories of verbal behaviour and measures the frequency with which each category is used.

This enables researchers to isolate the Success Model: the critical pattern of verbal skill that differentiates the 'skilled' negotiators.

The result of this research, the largest-ever study of negotiation skills, is a sophisticated Success Model that replicates the attitudes, processes and behaviour of the exceptional negotiator.

- Strategic objectives – much greater emphasis on the long-term; consideration of implications, and a 'their shoes' approach to anticipating the other side's position.
- Power – a systematic approach to analysing and managing the power balance, with emphasis on tough no-go decisions.
- Preparation and planning – exploration of a much wider range of possible trades and linkages and, importantly, how they are to be negotiated.
- Face-to-face skills – a surprisingly consultative style based on understanding needs, maintaining clarity and building trust, while dealing firmly with aggressive or unreasonable behaviour by the other side.

This research has been validated by the results of our negotiation training for Professional Services firms.

If you're tired of so-called negotiating training that's based on either unrealistic win-win visions or a series of win-lose dirty tricks, Huthwaite's research model is the answer you've been looking for.

Whether you're selling or buying Professional Services the skills are equally applicable: researchers observed both sellers and buyers and concluded that effective negotiators used the same skill sets, regardless of whether they were buying or selling.

*Over the following pages are overviews of Huthwaite's two, modular negotiating skills programmes. This is followed by examples of some of the research findings about face-to-face skills, identified by Behaviour Analysis of skilled negotiators' performance.*



# Typical programme overview – Getting to the negotiating table: strategy and tactics

## Objectives

By the end of the programme each participant will:

- be able to explain the important differences between selling and negotiating
- have a framework for analysing the context of the negotiation and preparing an optimal stance
- be able to plan a variety of tactics to manage the movement of the negotiation to a desired outcome
- have strategies for maintaining a positive climate and dealing with 'dirty tricks'
- have practised preparation and planning of strategy and a simulated negotiation
- have received constructive and objective feedback on their performance compared with the Skill Model and created an Action Plan for continued development of the skills after the programme.

## Target audience

Partners, managers and specialist department heads involved in the planning or execution of contracts or agreements in which the terms of business are variable.

## Materials

During the programme trainees receive a complete set of documentation, to assist them in the structured preparation and planning of major negotiations.

They also take away user-friendly reference material and tools which give explanations of key concepts.

## Programme content

- The difference between negotiating and selling – when you should sell and when to negotiate.
- Negotiation outcomes – win-lose, lose-win and a pragmatic, workable definition of win-win.

## Preparing for the negotiation

- Setting objectives: yours and theirs.
- Evaluating fallback positions and implications: yours and theirs.
- The hierarchy of tradable issues.
- Best, target and worst trading limits.
- Calculating the cost of concessions, hard and soft.
- Anticipating 'their' position and tactics.

## Planning the negotiation

- Evaluating strengths, weaknesses and the power balance.
- Creative and leveraged trades.
- 'Diminishing return' concession strategy.
- Common ground, long-term versus short-term.
- Handling 'low reactors' and 'dirty tricks'.

## Training design and methodology

The training design is based on the principle that trainees learn best by *doing and reviewing*. Preparation and planning processes are introduced incrementally, followed by a negotiation, with a detailed review and feedback session.

## Duration

Two days. This programme can also be combined with Huthwaite's Winning Behaviours programme to create either one, four-day programme or delivered in two, separate modules.

## Faculty and group size

A Huthwaite consultant delivers the programme who is experienced, whenever appropriate, in training clients in the professional services sector. To ensure individual attention and participation, training group size is limited to a maximum of twelve.

# Typical programme overview – Success at the negotiating table: winning behaviour

## Objectives

By the end of the programme each participant will:

- be able to explain the important differences between persuading and negotiating
- be able to make and respond to proposals in an effective manner to achieve a bargaining advantage
- be able to describe and use the key behaviours, or Skill Model, used by effective negotiators
- have strategies for maintaining a positive climate, overcoming stagnation or deadlock and be able to handle and defuse difficult situations
- have received constructive and objective feedback on their performance compared with the Skill Model and created an Action Plan for continued development of the skills after the programme.

## Target audience

Anyone involved in the physical execution of negotiations. Ideally, delegates will already have some experience of preparation and planning for negotiations, as this programme concentrates on *negotiating behaviour*.

## Programme content

- The difference between negotiating and persuading – when to persuade and when to negotiate.
- Negotiation outcomes – win-lose, lose-win, and a pragmatic, workable definition of win-win.

## Negotiating skills

- The researched Success Model of twenty-one key behaviours.
- Skill subsets for persuasion, managing the power balance and bargaining.
- How to maintain the climate, resolve deadlock and conclude the right deal.
- Handling 'low reactors' and 'dirty tricks'.

## Training design and methodology

The training design is based on the principle that trainees learn best by *doing and reviewing*. The negotiation skill sets are introduced gradually, interspersed with two simulated negotiations, each followed by a detailed review and feedback session.

The negotiations take place in small groups, usually two-on-two, with a coach who makes a live behaviour analysis of the skills used by each participant. During the review sessions trainees are encouraged to consider their behavioural tactics, and then receive detailed feedback on their own behaviour profile compared to the Success Model.

This repetitive cycle of input–practice–feedback, linked with models and mini-skills exercises helps trainees to match their behaviour ever closer to the Success Model as the course progresses and equips them with an awareness of their own behaviour so that skill improvement can continue post-course.

## Materials

During the programme trainees receive a complete set of documentation, which they may photocopy, to assist them in the effective implementation of major negotiations.

They also take away a comprehensive library of user-friendly reference material giving explanations of key concepts.

## Duration

Two days. This programme can also be combined with Huthwaite's Strategy and Tactics programme to create either one, four-day programme or delivered in two, separate modules.

## Faculty and group size

A Huthwaite consultant delivers the programme who is experienced, whenever appropriate, in training clients in the professional services sector. The consultant is supported by a behaviour analyst/coach, so that the faculty : trainee ratio is 1 : 6. To ensure individual attention and participation, training group size is limited to a maximum of twelve.

# Negotiation research highlights

Prior to Huthwaite's research, negotiators were usually taught only one interactive skill – to make proposals in the 'conditional' form: "if you do X, we'll do Y". Certainly, skilled negotiators do use this behaviour to encourage trading and to avoid making unilateral concessions; but it is by no means the full picture.

The application of Behaviour Analysis to negotiation revealed a much more complex Skill Model, comprising certain behaviours which skilled negotiators use heavily and others that they minimise. For example:

## Skilled negotiators use

### Lots of questions

More than twice as many as the average negotiator. In fact more than 20% of all the skilled negotiators' behaviour consisted of questions, compared with less than 10% for their average counterparts. The difference is very significant.

The most common uses are to uncover the other party's position and explore its underlying rationale. If you ask enough questions the other side will often realise that their position is untenable, and make a concession. So seeking information, reasons, feelings and proposals are the key skills in the persuasion process.

Average negotiators, by contrast, attempt to persuade the other side by bombarding them with information and reasons to support their case. You've no doubt been on the receiving end of this kind of 'persuasion' and know that it usually fails to influence you.

### Giving feelings

Contrary to popular belief, effective negotiators are not poker-faced. They give one-third less factual information than average negotiators, but talk 50% more about their feelings or emotions. Psychological research suggests that this sharing of feelings encourages openness and creates a climate of trust.

### Testing understanding and summarizing

Checking that both sides' ideas are understood, and frequently summarizing the position, adds clarity and increases the chance of a successful implementation of the final deal. These two behaviours accounted for 17% of the skilled negotiators' total behaviour profile, compared with 8% for average negotiators. Why? One reason appeared to be that the average people seemed happy to fudge contentious issues and concerns about fine details, rather than clarifying and resolving them. Again, we seem to have found a crucial difference between skilled and average behaviour profiles.

## Skilled negotiators avoid

### Irritators

Is it persuasive if someone says they are making a 'fair and generous offer'? No, it suggests you are being unfair and mean. Your unspoken reaction is probably, 'Let's just hear the offer – I'll be the judge of how good it is.'

How about condescension like, "With the greatest respect, young man" (or, maybe worse, 'young lady')?

Gratuitous self-praise and patronising behaviour irritate the other side and contribute to destroying the climate of the negotiation. Average negotiators use Irritators six times more often than skilled operators.

### Counterproposals

"I think £1,500 per day is acceptable!" "No", you say, "It must be £2,000."

How does the other party feel when you ignore and counter their proposal without consideration? They'll probably do the same to yours.

Such behaviour does nothing to progress the negotiation and is often perceived as blocking or disagreeing rather than a serious proposal. There's also the danger, of course, that if you are making a counterproposal off-the-cuff you may make an ill-considered concession. You will not be surprised to learn that the immediate counterproposal is used twice as frequently by the average negotiator.

### Argument dilution

A particular trap awaiting 'clever' Professional Services negotiators.

Our educational culture has taught us to present as many arguments as possible to support our case, and this is what average people do in negotiation. So what's the problem? The risk is that they will eventually use an argument that won't hold water, and that's the argument the other side will attack. As in a legal trial, if you destroy the credibility of one witness the whole case often collapses. The same is true with supporting arguments.

It seems that skilled negotiators are aware of this; they use one strong argument and repeat it as necessary. Only if it is undermined will they introduce a second reason to support their position. They refuse to dilute a strong argument with a weak one.

# Do Huthwaite's researched models work in Professional Services?

All market sectors like to think they're 'different', and to an extent they are – in the jargon they use and the products they sell. But the way clients make major purchases is universal.

A number of Financial and Professional Services clients have had Huthwaite conduct original research to validate that the researched negotiation models work effectively in their markets. On each occasion the research showed that:

- behaviours in Huthwaite's researched Success Models occur more frequently in successful interactions with clients
- Professional Services sellers can be trained and coached to change their behaviour to follow the Success Models more closely
- when they do, the use of the Success Models results in an increase in the quantity, value and profitability of sales.

The case is proven. The word has spread. Any organisation can produce an impressive list of clients and we are no exception. Sometimes

further investigation reveals that not all client lists are what they seem; some include every client who ever sent a single person on a public programme! The client list below gives a flavour of the financial and professional services organisations we have worked with to deliver significant projects. Some projects span decades and continents.

- Addleshaw Goddard
- Bank of America
- Citibank
- Eversheds
- Flemings Bank (now part of Abbey National)
- Mandatum Private Bank, Finland
- PricewaterhouseCoopers
- Royal Bank of Scotland
- Smith and Williamson
- Solomon Hare
- Swiss Re Life & Health
- Zurich Financial Services

## Let's negotiate

This brochure has been about Huthwaite's research-based model for real-world negotiation. If you feel that the real world is a better foundation for negotiation than utopian fantasies or questionable verbal tricks, we'd like to talk to you. Implementing a culture of real-world negotiation involves training to change people's behaviour, but Huthwaite strives to offer complete flexibility in implementation methods to suit clients' needs, which will vary widely depending on variables like:

- size of training population

- existing skill levels
- organisation structure
- internal training and coaching resources
- available budget
- corporate culture.

With so many variables we should be able to negotiate a creative, win-win partnership! Contact us and arrange a meeting with a Huthwaite consultant to explore how Huthwaite's Negotiation could increase the effectiveness of your organisation.

## Your next step...

### How to contact us



Call Huthwaite International on +44 (0)1709 710081



Send this form to: Huthwaite International, Hooper House, Wentworth, South Yorkshire S62 7SA, United Kingdom



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