What kind of Negotiator Are You?

By Cynthia C. Paul

Do you consider yourself an outstanding negotiator? Do you feel reasonably comfortable that you could walk into a potentially conflict-riddled situation and outline a logical, win-win approach for all sides of the situation? Would it be valuable for you and your organization if you could? Managers in the construction industry are frequently uncomfortable with their negotiation skills. Getting to a win-win outcome adds to that concern.

Negotiating is frequently delivered a black eye in today’s media. Scan the front page of your local paper for “negotiations” that have cost the taxpayers money, resulted in the loss of jobs or resulted in an embattled court process. It is little wonder that so
many of us dread the opportunity to lend our name and efforts to such a dismal endeavor.

Negotiation is the process of exchanging elements of value to change the dynamics of a relationship. It is giving someone else something that they find worthwhile, meeting their objectives and getting back something equitable. It sounds simple enough, so why do so many of us get that sinking feeling in the pit of our stomach when it is our turn to enter the negotiating ring?

The Case for “Funny Money”

Let’s start at the core concept of negotiating-value. The process of exchanging equitable value among the parties is paramount to securing a win-win outcome. Notice that we have not talked about money. We are talking about exchanging value. To be a world class negotiator you need to be able to identify and deal with “funny money.”

Funny money is things that your negotiation partner values that do not result in a cash outlay on your part. It still has value, it simply is not in the form of cash. Funny money might be giving the owner access to a limited portion of the project in return for extending the completion date. No money changes hands, but both sides get something of value. Both are happy with the outcome of the transaction. Both sides feel the exchange was successful. The negotiation ended in win-win.

Funny money may be access to parts of the job or getting your people on the job site earlier (or later) than expected. It may be providing value engineering on a piece of the job, or even giving a
new client a few names of good contractors in the local area with which you have had profitable dealings. The key to being a successful negotiator is contingent upon finding out what has value to the person with whom you are negotiating. Too often we assume that the other side wants exactly the same things we do in the negotiation. We have to find out what our negotiating partner finds valuable if we want to increase our abilities as a negotiator.

**Negotiating Parties Are Interdependent**

Negotiating partners might go out of their way to assure us that we need them more than they need us. What a great negotiating strategy! The more we are convinced that we have the weaker side in the negotiation, the greater the probability is that we will relinquish too much value in the process. How can we ever get to win-win when we have to give up too much in an attempt to cover what we think is a weak negotiating position? Win-win negotiating by definition, means the contractor also has to receive equitable value.

Convincing the other party that they have the weakest hand in this card game is nothing more than a strategy. Similar to maintaining a poker face after drawing an inside straight, if they knew you had this hand they would not wage high stakes. They are only trying to get you to fold your hand. Although it is not the best means of ensuring a win-win outcome, many people will use this strategy to get the negotiations started.

The key is to keep your eye on your objective and not get swayed with the tactics being played on you. Have you
ever had someone start negotiations by saying, “I think it is a waste of time to talk to you since we have another contractor with a lower number?” Train your mind to think, “what an interesting opening position,” and leave it at that. Remember, it is just a strategy.

A number of negotiators may want to start negotiations in a hardball, winner-takes-all stance. For some it is because that is all they know. How many times has the average industry manager witnessed win-win outcomes to negotiations? Not many.

Defending yourself against hardball tactics is essential. The objective is to defend your position and deliberately bring the conversation back to a win-win outcome. Just because the other side is playing hardball does not mean you need to. You can stay focused on the win-win and still get equitable value for both sides. There will be times when win-win is not possible, however. When dealing with tough negotiators with a very short timeline, converting to the win-win is challenging at best.

Long-term relationships, prevalent in our industry, are the foundation for win-win negotiating. Since we deal with clients, other contractors, and vendors that will be around for years to come, contractors need to be focused on setting up successful negotiations for the long term.

Cutting a tough, winner-takes-all deal with an owner can be risky. Owners have a number of opportunities to seek retribution—if not on this job, then on a future project. Or perhaps they will use their influence with other possible
owners, placing you in the position of overcoming a rugged reputation in order to get a job.

Our industry is a fairly tight circle of influence. Designers that work for an architect/engineer today could work for a government agency tomorrow. Any contractor that we work with may, in the future, form a strategic alliance with an owner. Or an employee that is working for you today may tomorrow be in a position to influence your organization getting a job in the future. You can never be certain of who is influencing and where that next job is coming from. Win-win negotiation sets up a long-term, productive relationship while protecting your immediate interests.

**Negotiating for Success**

Negotiating skills should not be saved for your dealings with a client. Bottom-line negotiating is a skill that defines ideal outcomes and builds the commitment of all sides of the conversation toward the win-win ideal. Negotiating is a strategy that works effectively with owners, architects/engineers, other contractors and vendors. Employee interactions benefit from good negotiating skills as well. Think about the last “heart-to-heart” chat you had with an employee. Perhaps the outcome was directed at positive changes, like getting to work on time, or learning new skills. Negotiation skills give us the structure and format that allow conversations to sidestep the confrontation trap and get to a win-win outcome.

**Looking to the Future**

To be highly successful, learn to negotiate for elements of value other than
money. Learn to negotiate with funny money. Money-only negotiations too often are framed on confrontation and winner-take-all outcomes. Funny money lets us give our negotiation partner value without having to write him a check. It expands the number of negotiating points, creating greater probability of a win-win outcome.

There are many things that an owner, contractor or vendor can give you that are equal to or better than cash. When going into a negotiation, think about the aspects that deliver high value and do not involve a checkbook. Some negotiations will focus on the monetary aspects of the relationship. However, learn to expand your horizons to include other outcomes that allow both you and your negotiation partner to win. Think about giving and receiving funny money as additional objectives in the negotiations.

Successful negotiators practice their craft. Think of small ways to build your comfort level, and practice so that you will be confident and comfortable when you walk into your next big negotiation.

Increasing your negotiation skills means focusing on win-win outcomes, introducing funny money and remembering that you are negotiating during most of your waking moments. Your new negotiation skills will bring you riches—in dollars and in funny money.

About the Author
Cynthia Paul is a director with FMI, Denver, management consultants to the construction industry. She works with contractors of all sizes to develop the leaders and managers of tomorrow.