



Another Hat for HR: Negotiator-in-Chief

From contracts to hiring and retention, many business matters hinge on employees' effectiveness at negotiating—a skill that HR should advocate, teach and put into practice.

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When the head of purchasing for a major manufacturer walked into his office one morning recently, he found an in-box full of problems—and a new way of looking at his company.

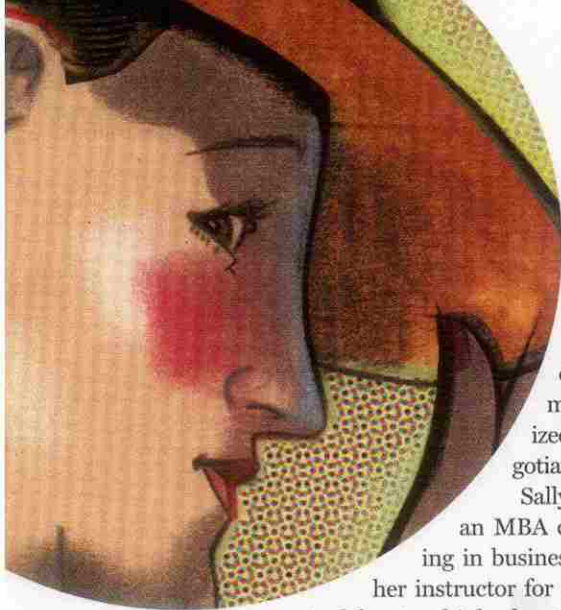
On the top of the stack was a notice about when he would have to testify in court in a lawsuit against a now-penniless supplier. Below that was a proposed contract with a sole-source supplier demanding an exorbitant price. Next was a low-price agreement with a supplier with a record of erratic performance. Under that: a draft of an ambiguously worded agreement on who would be liable for product defects.

What that pile of paperwork revealed to the purchasing chief—we'll call him "Ken" because he and his company asked not to be named—was that his company lacked negotiating competence. His purchasing agents, driven by price alone, negotiated flawed contracts. What's more, he had failed to persuade his agents to change their behavior, reflecting his own negotiating weaknesses. And he realized that legal counsel allowed conflicts to escalate needlessly instead of negotiating acceptable resolutions.

Ken shared his assessments with the company's HR director, "Sally," and asked for her help in strengthening negotiating skills within the company. He said that because such skills were in short supply, the company was missing opportunities and incurring needless costs.

At first, Sally wondered why Ken didn't simply get a sales coach to show his purchasing agents some new tricks, but she kept the thought to herself. Instead, she asked Ken for more details, listened and said she would get back to him later in the

SALLY WEIN COMPART



day. Though she may not have realized it, Sally was negotiating effectively.

Sally had just taken an MBA class on negotiating in business, and she called her instructor for guidance. He advised her to think about negotiation as a “corporate capability.” Moreover, he said, as HR director, Sally had the potential to play a pivotal role in developing this capability. He suggested that she view herself as the corporation’s resident chief negotiator, which would enable her to *advocate* effectiveness in negotiating, *build* negotiating competencies within the company, and *practice* effective negotiating.

A Core Competency

Negotiation pervades business. Your skill at negotiating affects your performance, satisfaction and quality of work life—and it affects your organization. A company’s negotiating capabilities can help it gain competitive advantage, reduce costs, increase profits and improve relationships. And HR professionals have shown they can help their companies develop those capabilities.

Negotiation, in which two or more parties exchange something of value to achieve mutually agreeable purposes, is undertaken for one or more of three purposes: to reach new agreements or renew expiring ones, to resolve disagreements and prevent conflict from escalating, or, most important, to change behavior.

When Ken finds another supplier as an alternative to a sole source, he negotiates a new agreement. When asked by a supplier to pay more because of rising costs, he negotiates a price adjustment to avoid a dispute. When Sally confronts an employee with an absenteeism problem, she negotiates a behavior change agreeable to both parties, lest discipline becomes necessary.

Generally, negotiations by a line manager or HR executive fall into two broad and increasingly overlapping categories—those internal to the firm, and those involving external parties.

Internally, you may negotiate peer-to-peer as a manager, employee or executive. You may negotiate as a superior with a subordinate, or vice versa. Other internal negotiations occur with unions, among different organizational units, between project teams and between boards of directors and their executive teams.

External negotiations include those between buyer and seller—the most familiar type—as well as those involving recruits, independent contractors, subcontractors, government agencies and community groups. Such negotiations may overlap and become multilateral rather than purely bilateral.

In short, your company’s executives, managers and employees engage in negotiations that vary in scope and importance. Some are blockbusters, such as mega-mergers. Others are routine and seemingly minor. But the little ones can add up to a huge total.

Where HR Enters the Picture

The point is simply that all negotiations, regardless of size, should be handled well, and, as an HR professional, you can make this happen.

Your aim is to improve the results of your company’s frequent negotiations. Poorly conducted negotiations can lead directly to problems such as breach-of-contract suits, lost business opportunities and the need to redo work. You want improved performance that increases profitable business. You want customers satisfied so they give you repeat business and refer other customers. You want employees to be satisfied, which helps with recruitment and retention. And you want to negotiate increased productivity—getting people to take the initiative to do the right thing the first time.

You also expect negotiations to lead to better relationships—not for a friendly working environment, as important as that is, but for improved bottom-line performance. Enriched relationships yield stronger communications networks, which can be

Principals’ Control over Outcome In Methods of Resolving Conflict



In the Middle of Conflict

Some disagreements in an organization are best handled with conflict-management skills, which are akin to negotiating skills and are central capabilities for many HR professionals. As a third party to a disagreement between disputants, HR is bound to resolve the dispute in a way that serves the organization's interests. In doing so, HR is a conflict manager, which requires versatility in negotiation, facilitation, mediation and arbitration.

Conflicts can arise from many sources, such as pressures to raise productivity, restructure companies and redefine missions. At the same time, today's workforce demands more protections and asserts rights in a variety of venues, which launch new waves of conflict that can easily escalate into highly publicized and costly disputes. The HR department hears and manages conflicts that cannot be resolved by the parties themselves. It can be a point of early and effective intervention if the HR manager is capable of negotiating an appropriate resolution.

The HR office may have people who are expert in conflict management. HR managers serve as a vital buffer between parties who need help to handle disagreements of various kinds, from adverse personnel actions and disputable policy interpretations to complaints alleging misconduct.

Although there is no foolproof formula that HR can use in resolving conflicts, the following guidelines can be helpful:

- Prevent the escalation of conflict to a more serious or threatening level.
- Focus on the real problem as opposed to the often-expressed disagreement. For example, is the issue the new work schedule? Or is it really the supervisor favoring some employees over others?
- Depersonalize the disagreement so that mindless tit-for-tat arguments do not push the conflict up to the next management level.
- Create solutions for problems by encouraging the parties to offer constructive suggestions.
- Build relationships of trust between the principals and with HR managers so that employees and managers alike believe that they can voice legitimate concerns and be heard even if their views may not prevail.
- Align proposed resolutions with workplace goals.

In other words, HR can empower managers and employees to do and to accept what is in the collective interest of the company even if it might contravene their personal interests. Conflict cannot be managed effectively in a vacuum. It makes little sense to solve one conflict in a way that initiates another.

used to disperse knowledge. You create an environment in which the exploration of new ideas—change—is encouraged.

Moreover, by improving the negotiating capabilities within your workforce, you reduce unproductive conflict. Note that your objective is not to suppress disagreement—the essence of conflict—because that could discourage essential change. Your aim is to minimize needless conflicts, which can escalate into expensive operational problems or litigation.

Thus, in your role as chief negotiator, you function as advocate, builder and practitioner.

- **Spreading the word.** As an advocate, you maintain that negotiation is the preferred method of reaching agreement, changing behavior and resolving conflict. You advocate to empower your workforce at all levels. You make the case that if employees become better able to manage their own interests and handle their own conflicts, they gain a precious commodity—time—to do other things essential to success, such as attracting new business, creating products and anticipating and satisfying real customer needs.

Such advocacy is important because negotiation preserves the parties' control over the outcome. It invests them in making the outcome a success; it compels them to assume responsibility. The company then needs only to ensure accountability through appropriate performance management. The parties take control and own the outcome, and there's no need for the informal or formal involvement of third-party mediators or arbitrators. And the costly escalation of disagreement is avoided. An unresolved conflict that escalates, involving the time of higher-paid managers and executives, can be an expensive drain on company resources.

Negotiating is the ultimate tool of empowerment. The employee or manager negotiates a solution and becomes a problem-solver, thereby generating countless additional opportunities for entrepreneurial rather than bureaucratic work to get done.

- **Building your workforce's skills.** Capability at negotiating is not inherited; neither is it acquired solely through experience. Being a good negotiator, like being an effective manager or leader, requires disciplined work. In fact, the roles of leader, manager and negotiator are highly interrelated. To negotiate well, you need to hone certain skills.

Effective negotiators share several characteristics, many of which a company can help develop among its employees, whether they are purchasing agents, sales representatives, recruiters or executives with broad responsibilities.

An effective negotiator must have a vision of what is to be accomplished, must be confident without being obnoxious or self-absorbed, and must be patient. The effective negotiator doesn't get flustered and doesn't agree to every proposal, but instead views negotiation as a chance to test limits and is willing to move on when things are not working out as desired.



Negotiators should also be able and willing to listen, to communicate and persuade, to think empathetically, to assert interests, to explore possibilities with an open mind, to persist in the face of adversity, to tolerate criticism or disagreement, to be team players, and to tolerate appropriate levels of risk.

Negotiating is a vital intelligence-gathering process that can help your company assess and manage risk. The information and experience acquired from negotiations should be analyzed and shared internally.

- **Practicing what you preach.** The HR professional's third function as chief negotiator is to be a practitioner. Opportunities for doing so are endless. HR managers negotiate hires, executive compensation packages, transfers, dismissals, new personnel systems and practices, and labor-management contracts.

In addition, the HR office is often the place where personnel disagreements over matters such as pay, performance reviews, discipline, promotion and reassignment are vented. In negotiating in such situations, HR can lead by example. This not only can produce desirable outcomes quickly—hiring the right person at the right price with the right performance expectations in place, for example—but also can prevent problems down the road.

Principles of Effective Negotiation

To advocate, build and practice negotiating to reach agreements, change behaviors, and resolve conflicts, HR professionals must know the core principles of effective negotiation. These principles apply in various contexts: buyer-seller; employee-manager; peer-peer; business-business; union-management. They are not about negotiating nicely or about sacrificing interests to promote congeniality. They are about achieving the right outcomes and setting the stage for future successes.

- First, as in conflict management, you must focus on problems, not personalities. Do not take things personally! Deflect insults and defuse anger.
- Second, focus on interests, not positions. Find out what your negotiating counterparts really need, not what they say they want. Often it is something quite different from what they say. You discover those interests by probing and listening. An effective approach is to ask open-ended questions such as "What is important to you? Why is this unacceptable?" You may find out that recognition, equitable treatment and quality are as important as money.
- Third, brainstorm to build options. The

surest way to kill a negotiation is to walk in with "the solution." People want to be heard even if they know where they will be at the end of the dance. You want joint agreements or settlements, not imposed ones.

- Fourth, focus on outcomes and relationships. At work especially, it is important not to steamroll relationships. A victory today can haunt you tomorrow. This does not mean, however, that you should do a dumb or bad deal just to preserve a friendship. Rather, it means empathizing with the other party and convincing them that you are only interested in furthering legitimate interests.

- Fifth, be willing to walk away. We recommend that, before negotiating, you ask yourself what you will do if this negotiation fails. Do you have a good alternative? If an applicant declines your job offer, do you have an alternative candidate in mind? The minute you become unwilling to walk away from a negotiation, you can watch your power go down the drain.

- Sixth, bear in mind that time *is* money. Often, parties enter negotiations expecting the process to be quick—the sooner it's over, the better; if it lasts too long, it's a money loser. In fact, the opposite is true: Haste can be costly. Many negotiations produce no winners, only losers, because both parties have left something on the table in their hurry to get things done. Take time to explore possibilities and consider the ramifications of a deal before you sign on the dotted line.

- Seventh, don't humiliate. Give and save face in your negotiations. Humiliating someone gains you nothing but an embittered enemy.

- Eighth, be flexible. Negotiation is not for the inelastic. If you want to negotiate, you must have something of value to give to the other side. If you don't, then why negotiate? If you're inflexible, negotiation is a pointless exercise that probably will accentuate hostilities.

- Ninth, act confidently. Make sure others perceive you as having power. You cannot attempt to assert your interests and be willing to walk away if you present yourself as dependent on the mercy of your counterpart. This is difficult in practice because we often exaggerate our weaknesses while underestimating our counterpart's.

The essential point is that effectiveness at negotiating can be imparted to anyone who is willing to learn. Each of us has room for improvement. As an advocate, builder and practitioner, HR can create an environment ripe for effective negotiating. ■

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For recommended reading on negotiating and an example of how a manufacturer retrained its sales force to negotiate pricing, see the online version of this article at www.shrm.org/hrmagazine.

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