Managing conflict effectively in negotiations

Five techniques help negotiators corral the process and people issues that so often derail deal making.

by Milan Prilepok

This article is adapted from an original that appeared in the May/June 2017 issue of E3: Engage // Elevate // Emerge, a publication of the Institute for Supply Management.

Expectations for purchasing professionals have reached new heights, driven substantially by the confluence of global supplier networks, increasing supplier performance expectations, expanding definitions of value, and disruptive digital and analytical capabilities. When these trends overlap, they drive unprecedented complexity in commercial agreements and negotiations. Complexity is hard enough on its own, but it also adds stress to supplier relationships.

One effect we observe in our work with clients is a trend of failed or unsatisfactory negotiations. Unfortunately, when negotiations fail, it is easy to blame the economics of the deal—that there was not enough common economic ground to support a zone of possible agreement (ZOPA). This is by far the most frequent excuse.

However, McKinsey's research confirms what the most seasoned practitioners postulate: that "process" and "people" problems account for most failed deals—in other words, the deals that don't happen. In particular, **over 70 percent of deal discussions fail to materialize due to these two non-content dimensions.** By "process" we mean the actions related to the negotiation, including the overall schedule of negotiations, interaction cadence, meeting locations and agenda, and escalation provisions. By "people" we mean the behaviors of individuals or teams, including tactics and gambits deployed during negotiation; the approach to cooperation and exchanging information; the responsiveness to the counterparty's requests; general mind-set regarding empathy and understanding the others' needs; and other related factors.

A second significant finding from McKinsey's research is a corollary of the first. Specifically, **negotiation teams frequently compromise on economics when they could (or should) have solved for process and people**. The results are avoidable value loss and, in the longer term, unsustainable deal terms on lead times, quality, intellectual property ownership, volume guarantees, exclusivity provisions, termination clauses, and the like. And, of course, the critical process and people issues remain unaddressed—a threat to the next negotiation.

Why do negotiation teams avoid the process and people dimensions? In most cases, we observe that it is to avoid conflict or to stay out of "the soft stuff." By contrast, great negotiators confront and control these

factors throughout a negotiation. Here are five core techniques that practitioners can use to get started.

- *Improve communication.* Increasing the volume and quality of communication with your counterparty helps to avoid misunderstandings and provides a channel for trust-building techniques, including active listening, deferring judgement, playing back what you hear, and demonstrating empathy where appropriate. The quality of communication is conditioned on behaviors that help to isolate (rather than conflate) points of disagreement, for example by using temperate language and tone, focusing on questions rather than accusations, and providing opportunities for the counterparties to explain, to reason, and to describe their expectations, assumptions, and so forth. A familiar example in this category (in English) is avoiding adverbs such as "never" and "always" which tend to be too absolute.

- *Take perspective.* Putting yourself in the shoes of your counterparties requires authentic curiosity about their needs, interests, and motivations and it can be the fastest way to remove biases in your own thinking and accurately anticipate your counterparty's next moves. The objective here is to understand their real interests—as opposed to their positions. A questioning attitude and a desire to understand not only improve your chances of doing so; they may also engender mirroring behaviors from the other side of the table.

- *Eliminate unnecessary escalation.* Having a short fuse can complicate any situation. It usually increases the risk of slipping into a downward spiral of negative countermoves, the highly destructive tit-for-tat cycle that presages a failed deal. Avoiding the first step in that cycle means staying away from even the suggestion of a punitive course of action. It can also be helpful to think critically ahead of time whether moves that are intended to be neutral might come across as punitive; for example, stating that senior stakeholders should become involved or consulted can, under some circumstances, imply a threat to escalate over the counterparty's head.

- *Uncover issues sooner rather than later.* When you suspect that an issue or question may be sensitive for either party, delaying a discussion of it only intensifies the urgency when it is finally addressed. Furthermore, if some dimensions of a solution have already been decided in earlier stages of negotiation, one or more parties may feel cornered or deliberately maneuvered into a foreclosed position. Whether intentional or not, this raises the probability of an angry counter-response. An effective negotiator takes the time to identify and address the most sensitive issues early in the process.

- *Hit the pause button.* When all else fails (and it will), the best course of action is to take a break. Budget substantial time for breaks and use all of it. Fifteen minutes is not so much of a break as four hours or four days. A break should give teams time to reflect and reconstruct what they have experienced, to decide on new behaviors, and to practice them.

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In conclusion, the value at stake from mastering the process and people dimensions of negotiation are high. To get started, practice specific behaviors that control conflict, with the objective of securing both better economics and improved relationships with your suppliers. ■

***Milan Prilepok** is a senior expert in McKinsey's New York office, and a lecturer at The Wharton School at the University of Pennsylvania.*