



IRMI[®]

Workshop T

NEGOTIATING FOR FUN AND PROFIT

Presented by

**Dan McGarvey
Marsh**

Mastering the art of negotiation is an essential step toward protecting your company's interests. Unfortunately, our culture sometimes teaches that it is rude or overbearing to ask for what you want or to walk away if you can't get what you need. This session will teach participants the key elements of a successful negotiation, from preparing and rehearsing with your negotiation team, to establishing starting, fallback, and "walk-away" positions. Learn how and when to make appropriate concessions and the best tactics to use for different personality types.

Thursday, November 20, 8:30–11:15 a.m.

Workshop T

Dan McGarvey Marsh

Mr. McGarvey is presenting Workshop T, "Negotiating for Fun and Profit," on Thursday. He has been with the Charlotte branch of Marsh USA since March 1997, joining the company as a regional risk management sales professional charged with bringing leading-edge options and ideas to members of the risk management community in the South.

Mr. McGarvey graduated with honors from the U.S. Naval Academy in 1981 and served 9 years in the nuclear surface ship community, attaining the designation of Naval Nuclear Chief Engineer. He was hired in 1989 by Johnson & Higgins in New York as a utility risk management consultant, and subsequently deployed to Phoenix as western regional consultant for the J&H Nuclear Group. During 8 years with the Phoenix branch, he broadened his experience to include the service of large public sector and construction accounts. He served as casualty unit manager, account manager, and western regional resource for utility, construction, and public sector opportunities.

He is an accomplished speaker and instructor and has presented numerous seminars on risk management topics. As a CPCU instructor, he has taught the CPCU Finance and Accounting course, Economics course, Introduction to Risk Management, Business Law, and all three courses of the ARM curriculum. He has been called to testify before a State Legislature on risk management (contractual transfer and OCIP) issues, and has authored three published papers on risk management issues. Mr. McGarvey has coordinated 25 national RIMS presentations, including "Tough Customers—Selling Risk Management Programs to the CFO," "Decent Exposure—Raising the Risk Management Profile," "Indemnify This!—Negotiating Contractual Risk Allocation Provisions," "Lawful Pursuits—Legal Essentials for the Risk Manager," "Fifteen Minutes of Fame—Making Hard Hitting Presentations to Senior Management," "Finance for Smarties," and "Speak Finance Like a Native—The Three Hour MBA."

Mr. McGarvey also received Naval Nuclear Power Training in 1982 and Naval Nuclear Chief Engineer Certification in 1986 and earned an M.B.A. with honors in finance from the University of Rhode Island.

His professional designations include Certified Property and Casualty Underwriter (CPCU), Associate in Risk Management (ARM), Associate in Underwriting (AU), Associate in Reinsurance (ARe), Accredited Advisor in Insurance (AAI), Associate in Fidelity and Surety Bonding (AFSB), Associate in Claims (AIC), Associate in Loss Control Management (ALCM), and Certified Employee Benefit Specialist (CEBS)—Fellow Status

NEGOTIATING FOR FUN AND PROFIT

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I. Negotiation Intro

- A. The art of sitting down with another party to jointly work toward a mutually satisfactory outcome.
- B. Why Study Negotiation?
 - 1. Isn't it an ingrained skill which can't be taught?
 - 2. I don't have to negotiate in my job
 - 3. I'd rather chew nails than have to negotiate
 - 4. I'm too honest to be a good negotiator
- C. The world is one big negotiating table (Frank Acuff)
 - 1. "The diapers we receive in childhood represent the first and only time we get exactly what we want just by hollering for it" (Mackay)

II. Why Are We Poor Negotiators?

- A. Cultural
- B. Lack of Training
- C. Good Negotiating Requires Us To Regress a Bit
- D. Why Are Children Such Expert Negotiators?
 - 1. Not shy about expressing needs
 - 2. Know that "no" often means "maybe"
 - 3. Not burdened by time constraints
 - 4. Not easily intimidated
 - 5. Read people better than adults
 - 6. They are incredibly persistent!

III. Steps in the Negotiation Process

- A. "If you don't know where you're going, you may end up someplace else"
(Yogi Berra)
- B. Planning Your Negotiation
 - 1. Conduct a situation assessment
 - 2. Establish negotiation objectives
 - 3. Prioritize these objectives
 - 4. Frame in terms of "needs"
 - 5. Conduct preliminary research
 - 6. Build a negotiating strategy
 - 7. Establish fallback positions
- C. Rehearsing Your Negotiation
 - 1. Clearly define team roles
 - 2. Ensure everyone understands the issues
 - 3. Role-play and use a "Devil's Advocate"
 - 4. Agree on "signals"
 - 5. Discuss anticipated problems
 - 6. Look for creative solutions
 - 7. "Don't expect to play better than you practice"
- D. Establishing Fallback Positions
 - 1. Develop tiers of acceptable outcomes
 - 2. Ensure your team is onboard
 - 3. Know your BATNA
 - 4. Know at what point you must walk
- E. Developing Fair Standards
 - 1. Should be independent of each side's will
 - 2. Recognized as legitimate and practical
 - 3. Applies equally to both sides

- F. Setting the Agenda
 - 1. An excellent opportunity to gain control of a negotiating session
 - 2. Develop an agenda which addresses concerns of both parties
 - 3. Contact other party for input
 - 4. Distribute prior to the meeting
 - 5. A powerful way to ward off several common negotiating tactics
- G. The Negotiating Setting
 - 1. Easier to walk out of their office
 - 2. Higher authority delay more effective
 - 3. Easier to control pressure in yours
 - 4. Offering to go to theirs shows good faith
 - 5. Neutral setting best for tough sessions
- H. The Opening Ceremonies
 - 1. Introduce participants
 - 2. Secure commitment to collaborative negotiation
 - 3. Establish agreement on objectives
 - 4. Build rapport and comfort level
- I. Make it a Habit to Agree on Common Ground First

IV. The Initial Round of Negotiation

- A. Why Keep Initial Demands High
 - 1. You will make an impression
 - 2. Why give up power before you must?
 - 3. Will make any better deal look good
 - 4. Reduces potential for "buyer's remorse"
- B. Responding to an Offer

C. Managing a Concession Pattern

1. Know what you can't concede
2. Have at least three concessions in hand
3. Never start with a large concession
4. Manage expectations carefully
5. No concession is painless!
6. Don't make the first concession
7. Tie every concession to reciprocation
8. Always know your walk-away position

D. Every Concession Should Shout

1. This is a very meaningful concession
2. There may not be any more
3. There certainly won't be if this one is not reciprocated

E. Listening with Your Eyes and Your Ears

1. In general, the party which speaks most during a negotiation ends up with the short end of the stick
2. Well prepared questions can help you get to the heart of the matter at hand
3. Body language can speak volumes

F. The Principle of "Golden Silence"

1. Your secret negotiating weapon!

V. Negotiating with the Four Personality Types

A. Negotiating with the Analytical Personality Type

1. Stay formal and professional
2. Don't rush or pressure
3. Provide data and details

- B. Negotiating with the Driver Personality Type
 - 1. Identify their issue
 - 2. Be firm but don't challenge
 - 3. Let them feel the win
- C. Negotiating With the Expressive Personality Type
 - 1. Be enthusiastic and animated
 - 2. Focus on the big picture
 - 3. This will make him a hero!
- D. Negotiating With the Amiable Personality type
 - 1. Relationship first
 - 2. Be informal
 - 3. Provide security and confidence

VI. When Things Don't Go Smoothly

- A. The Other Party Insists on Going Negative
 - 1. (You may have him right where you want him)
- B. Keep Your Own Emotions in Check at All Cost!
 - 1. Disciplining involves the use of a series of maneuvers designed to return the negotiation to a collaborative effort when one party becomes confrontational
- C. Examples of "Disciplining"
 - 1. Seek commitment to common purpose
 - 2. Express awareness of behavior
 - 3. Address other team's leader
 - 4. Question desirability of this tactic in light of agreed ground rules
 - 5. Take a break
- D. Rule 1: Always Be Prepared To Walk
 - 1. Decide in haste...Repent in leisure.
 - 2. Corollary: Never Want Anything Too Much!

- E. Damage Control
 - 1. Avoid making emotional statements
 - 2. Reestablish contact
 - 3. Leave "face-saving" options open
 - 4. "Just isn't our time and place"
 - 5. Consider mediation as an option

VII. Negotiating Tactics 101

- A. Why Study Negotiating Tactics?
 - 1. Recognize them at work on you
 - 2. May be employed ethically
 - 3. Not a quiver of arrows
 - 4. "A tactic exposed is no longer a tactic" (Herb Cohen)
- B. Tactic: Delay
 - 1. Useful when other party knows you have a deadline
 - 2. Useful when other party knows you have many duties
 - 3. "I've got nothing but time"
 - 4. Effective against "drivers"
- C. Counter-tactic:
 - 1. Set deadlines
 - 2. Reward speed with concession
 - 3. Counter-delay if you have this option
- D. Tactic: Speed/Pressure
 - 1. Other party creates an artificial deadline or imaginary counter-party to create pressure
- E. Counter-tactic:
 - 1. Assess credibility of the perceived threat
 - 2. Higher authority tactic for delay
 - 3. And always remember

- F. Tactic: Good Guy/Bad Guy
 - 1. One party is such a jerk that he makes dealing with the other party seem pleasant
 - 2. The “Good Guy” tries to be your friend
 - 3. The two collaborate to wrest concessions from you

- G. Counter-tactic:
 - 1. Recognize tactic by name
 - 2. Use time if you have the time advantage
 - 3. Tactic will wear out over time

- H. Tactic: Hardball
 - 1. Other party goes right for the throat with an unreasonable demand and real or implied threat

- I. Counter-tactic:
 - 1. Proper opening ceremonies will blunt this attack
 - 2. Disciplining approach
 - 3. Question to identify real issues
 - 4. Assess credibility of threat—call bluff

- J. Turning an Attack With a Question
 - 1. How is it that we have come to this point?
 - 2. Why do you feel this way?
 - 3. Is there a better time to conduct this negotiation?
 - 4. Why would we accept that offer?

- K. Tactic: Nibbling
 - 1. Takes advantage of the psychological relief many feel when a tough decision is made
 - 2. Party appears to give us major concessions then skewers you with the details
 - 3. Use when the other party accepts your first offer

- L. Counter-tactic:
 - 1. Never celebrate early

2. Never leave the bargaining table until all details are worked out
 3. Never make a unilateral concession
 4. Remember: no detail is unimportant
- M. Tactic: Chicken-Plucking
1. The other party leverages you into a series of escalating commitments without even offering a reciprocal commitment
- N. Counter-tactic:
1. Refuse to provide commitments without any commitment from the other party
 2. Why don't you make me an offer?
- O. Tactic: Red Herring or Decoy
1. One party focuses almost exclusively on a relatively minor issue which may have emotional significance
 2. The goal is to distract you from other key issues, wear you down, and trick you into a concession pattern
- P. Counter-tactics:
1. Skillful use of pre-agreed agenda may inoculate
 2. Set the issue aside if possible
 3. Use higher authority counter
 4. Call the other party on the tactic
- Q. Tactic: Trial Balloon
1. One party to the negotiation poses a hypothetical question to probe for "needs" vs. "positions"
- R. Counter-tactic:
1. An effective and ethical tactic which is generally encouraged
 2. Answer with your own balloon
 3. Never commit to a "trial balloon"
- S. Tactic: Higher Authority
1. In the midst of negotiation, one party claims to lack the authority to give further concessions
 2. Authority must often be obtained from some amorphous "committee"

- T. Counter-tactic:
 - 1. Do your homework so this doesn't happen
 - 2. Establish authority at beginning of meeting
 - 3. Appeal to ego
 - 4. Re-cast the meeting as "preliminary negotiation"
 - 5. Ask to meet with the appropriate level authority
 - 6. Seek commitment to a "contingent close"
- U. Tactic: Outrageous Behavior
 - 1. A tactic intended to knock you off guard through its shock value
- V. Counter-tactic:
 - 1. Ignore the behavior if tactic is blatant
 - 2. Initiate disciplining

VIII. The Most Frequent Error in Negotiating

- A. Concentrating on positions instead of needs ("The Orange Example")

IX. The Second Most Frequent Error in Negotiating

- A. Finish the Job!

X. Questions