Making Good Deals: Contract Negotiating Skills for the Finance Officer

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MODERATOR

Sam Ashbaugh
Chief Financial Officer, City of Pittsburgh

SPEAKERS

Cynthia Fukami, PhD
Associate Chair, Department of Management; Professor, University of Denver - Daniels College of Business

Paul Vallas
Consultant, The Vallas Group

#GFOA2017
NEGOTIATING EFFECTIVELY

GFOA ANNUAL MEETING, MAY 22, 2017
CINDI FUKAMI
PROFESSOR OF MANAGEMENT, DANIELS COLLEGE OF BUSINESS,
UNIVERSITY OF DENVER
OUR AGENDA

• Negotiation styles
• Getting to Yes: Claiming versus creating value
• Understanding the power of BATNA
• Anchoring: who should make the first offer
• Getting Past No: moving the conversation from adversarial to cooperative.
NEGOTIATION BASICS

• People negotiate all the time.
  • To create something new that neither party could do on his or her own, or
  • To resolve a problem or dispute between the parties.

• You can become a more skilled negotiator!
A GOOD NEGOTIATION…

• Produces a wise agreement
• Is efficient
• Improves (or at least doesn’t damage) the relationship between the parties.
NEGOTIATION “STYLES”

• There are five primary styles with which we approach negotiations
  • Competition
  • Accommodation
  • Avoidance
  • Compromise
  • Collaboration
MANAGING CONFLICT

- Competing
- Collaborating
- Value Creating
- Compromising
- Accommodating
- Avoiding

Assertiveness

Cooperativeness
Conflicting interests
Interests in Common

Stakes
WHEN TO USE THE 5 CONFLICT HANDLING ORIENTATIONS

• Competition:
  • When quick, decisive action is essential
  • On critical issues where action is unpopular
  • Against people who exploit non-competitive behavior

• Compromise:
  • To achieve temporary settlements to complex issues
  • To reach expedient solutions under time pressure
  • When collaboration or competition fails
  • When equal adversaries are committed to mutually opposing goals
WHEN TO USE THE 5 CONFLICT HANDLING ORIENTATIONS

• Collaboration:
  • Whenever possible
  • When issues are too important to compromise
  • To gain commitment, consensus
  • To improve relationship

• Accommodation:
  • When you find you are wrong
  • When this issue is less important than others
  • When the issue is less important than the relationship
  • When harmony and stability are especially important
  • To minimize losses when you are outmatched
WHEN TO USE THE 5 CONFLICT HANDLING ORIENTATIONS

• Avoidance:
  • When an issue is trivial or tangential
  • When potential disruption outweighs resolution
  • To allow disputants to gain perspective (cool down)
  • When time is necessary to gather information
  • When others can more effectively resolve conflict
PRINCIPLED NEGOTIATION

• Separate people from the problem.
• Focus on interests, not positions.
• Generate options for mutual gain.
• Insist that the result be based on some objective standard.

From Getting to Yes
POWER AND LEVERAGE IN NEGOTIATIONS

• At some point, you have to choose between accepting a deal or walking away to pursue other options.

• This decision is based on price, but also on
  • Ease of consummating the deal
  • Time pressures
  • Relationships
  • Risk Tolerance
BATNA: YOUR LEVERAGE

• Best Alternative to a Negotiated Agreement
• What alternatives do you have if no agreement is reached in the current negotiation?
• Do some homework: invent a list of actions you might take if no agreement is reached.
• Improve some of the more promising ideas and convert them into practical alternatives.
CONSIDER THE OTHER SIDE’S BATNA

• What alternatives are available to the other party?
• Don’t let them get away with overestimating their BATNA—lower their expectations
• If both sides have attractive BATNA’s, the best outcome may be *not* to reach an agreement.
PREPARING TO NEGOTIATE

• Set three points before you enter into negotiation:
  • Reservation point (where you will walk away)
  • Target point (where you realistically would like to settle)
  • Anchor point (where you will start)
THE POWER OF ANCHORING

• For many years, conventional wisdom has recommended that you avoid making the first offer.
• Recent research is calling conventional wisdom into question
• Anchoring: Human beings have a tendency to rely too heavily on the first piece of information when making decisions.
• There is a .85 correlation between the “anchor” and the outcome of a negotiation.
• This effect is significantly stronger than the effect of subsequent counteroffers.
ANCHORING

• Anchoring even affects highly knowledgeable individuals
  • Both experienced real estate agents and students were equally influenced by the listing prices of houses.

• What if the other party sets the “anchor” before you do?
  • Reset the anchor: show them why their anchor makes no sense and provide a new anchor.

• Think SLOW not FAST.
MANAGING DIFFICULT NEGOTIATORS

• Don’t react--go to the balcony
• Disarm them--step to their side
• Change the game--don’t reject: reframe
• Make it easy to say yes--build them a golden bridge
• Make it hard to say no--bring them to their senses, not their knees

From Getting Past No, by William Ury
CONCLUDING POINTS

• Collaboration and creating value are worthy goals.
• Collaboration starts with competition, so be prepared to reframe.
• Advocate for yourself, but also inquire about the other’s interests.
  • You don’t have to care about the other party, but you do need to care about their interests as that is where win-win deals are made.
• Do your homework: your BATNA, the other party’s BATNA and your three points (reservation, target, and anchor).
SECURE AND MAINTAIN PUBLIC SUPPORT BY STRIVING FOR PROCEDURAL JUSTICE

• Articulate a clear vision and specific goals.
• Make decisions based on accurate information.
• Equally apply transparent and consistent decision-making criteria.
• Fully transparent public access to information and explanation.

• Consistently give all affected stakeholders an opportunity for real input onto the decision making process.
• Never unilaterally make important policy decision prior to public input.
• Create an institutionalized structure to facilitate community input and participation.
• Recognize, take responsibility and correct mistakes.
INSTITUTIONALIZE COMMUNICATION AND COMMUNITY INVOLVEMENT

- Develop, maintain and update a long-term financial and educational strategic plan for the district that is also developed and updated with input from the education community.

- Your plan must have very clear well defined goals that ensures equity and focuses on student achievement.

- It must also include an institutional structure to facilitate the flow of accurate information, to ensure complete transparency and to allows for education community input.
INSTITUTIONALIZING INVOLVEMENT:
LOCAL SCHOOL INSTRUCTIONAL LEADERSHIP TEAMS

• Each school has an Instructional Leadership Teams (ILT) led by the principal (or designee), which is comprised of the principal and the school’s lead teachers.

• The ILT dries instruction at the local school level.

• The ILT provides input to the district’s academic leadership staff.

• The ILT provides a vehicle for greater teacher involvement in local school decision-making and greater communication.

• The ILT is a vehicle for building school staff support.
INSTITUTIONALIZING INVOLVEMENT: LOCAL PARENT & COMMUNITY COUNCILS

• Parent and community representatives.

• Briefed on the budget and the long-term strategic education plan.

• Access to school district budget and personnel decisions.

• Institutionalizes opportunities for the community to provide input and make recommendations on the budget, education plan, and hiring decisions.

• Provides the community with respect, a sense of empowerment and a vehicle for participation in local school decision making.
INSTITUTIONALIZING INVOLVEMENT:
LABOR MANAGEMENT COMMITTEE

• Vehicle for constant communication and interaction with the Teachers’ Union Leadership.

• Cabinet-level committee is briefed on the budget and allowed to have input.

• Interaction with the District Academic Team on the districts long term Strategic Plan helped solidify teacher support.