



The Art of Negotiation...a Skill that Requires Preparation, Strategy, Listening, Empathy, & Optimism

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When you think about the word, “negotiation,” does your mind conjure up intense hostage standoffs, high-stakes labor disputes, or nuclear arms’ stances? Do you view a skilled negotiator as possessing adversarial and hostile traits? Nothing could be further from the truth!

Negotiation is the process by which two or more parties who perceive a difference in interests or perspectives attempt to reach a mutual agreement. It is aimed at resolving points of differences and to craft outcomes to satisfy the interests of those involved. Successful negotiation requires both parties to move away from polarizing and usually entrenched positions, to consider a realm of possibilities. The outcome of a good negotiation means that neither party feels cheated, manipulated, or taken advantage of. It differs from mediation where a third party listens to each side’s arguments to help create an agreement. Negotiation should also not be combined with arbitration where both sides make an argument as to the merits of their case and the arbitrator decides the outcome.

In the business of insurance and risk management negotiation takes place each moment of every day. It is evidenced in claims resolution and coverage disputes, loss control recommendations, audits, policy forms, and the pricing of coverage. It is a key ingredient in talent recruitment, mergers and acquisition, as well as career development. And negotiation

applies to many purchasing decisions, ranging from office equipment to management systems to advertising services.

How important is it that you master the art of negotiation? Studies show that people who do not learn negotiation skills are 60 percent **less** successful than those who do. Simply put, negotiation enhances productivity and performance. And it is an essential element to increase revenue and profitability. Just imagine its impact to your organization if all members of your team advanced their understanding of and ability to negotiate.

Lessons Learned from Military Leaders

In enhancing your negotiation skills, there is much to be learned from military officers around the globe who are under intense pressure to win outcomes that involve life-and-death situations. While the stakes of your negotiations may not carry the same consequences as the military, you feel the same pressures to make rapid progress, project strength and control, coerce rather than collaborate, and trade resources for cooperation rather than taking the time to get genuine buy-in. Skilled military leaders use five highly effective tactics when levels of uncertainty confront them:

1. Understand the big picture – start by discovering the other party’s point of view. Use what you learn to shape the negotiation and determine how you’ll achieve your objectives.
2. Uncover hidden agendas and collaborate with the other side – find out what the other party’s motivations and concerns are. Propose several different solutions and invite your counterparts to improve on them.
3. Gain genuine buy-in – use facts, rather than coercion, to persuade others.
4. Build relationships that are based on trust rather than fear – deal with issues head-on. Make incremental commitments to encourage trust and cooperation.
5. Pay attention to process as well as desired outcomes – consciously control the game by not reacting to the other party. Slow down the pace of the negotiation and actively lead the other party into a constructive dialogue. Be strategic rather than reactive.

Although not a military leader, in the movie, *Captain Phillips*, Tom Hanks demonstrated efforts to achieve each of the above tactics. From the initial encounter with the pirates, Captain Phillips was looking big-picture, attempting to understand their cause, and collaborating to achieve buy-in. Desperate and challenged, he was also attempting to build relationships based on trust. Do the situation, actions, and outcomes of Captain Phillips reflect the negotiation challenges you sometimes face in the business of insurance and risk management?

Essential Skills for Positive Negotiation Outcomes

In your quest to become a first-class negotiator, there are five skills that will enhance your ability and drive results:

Skill 1 – Preparation and Strategy

The art of negotiation begins by knowing your audience, comprehending the issue(s), and determining a desired outcome. Preparation is key!

Knowing your audience is the most important principle in negotiation. Do your homework. Find out as much as possible about the other person's personality, negotiating style, and tactics. In simplistic terms, there are three negotiator personalities that you will face:

- Soft – uses a genuine style and apt to yield to reasonable demands
- Hard – applies pressure, makes threats, and sees you as an adversary
- Principled – focuses on solving the problem rather than intentions or motives of the people involved

Wherever possible, learn what negotiation tactics he or she may employ. Tactics range from bluffs to deadlines to a game of chicken.

It is also very important that you are well-versed on the matter(s) to be discussed. If the other person senses that you lack knowledge about the details, you are a prime target for a bluff or another technique to create anxiety or uncertainty.

Top-tier negotiators come to meetings with a pre-determined strategy including target goals. Of interest, your first offer is usually the most important as it serves as an “anchor” through which all subsequent offers will be judged.

Skill 2 – Active Listening and Body Language

Listen, listen, listen. The best negotiators act much like detectives. They ask probing questions and then stop talking. They follow the 80/20 rule: Listen 80% and talk only 20% of the time. Active listening is more than just learning what the other side is saying. It involves confirming your understanding of the other person's statements and seeking further clarification. Understanding the other side's priorities is just as important as understanding your own.

“There's a saying among negotiators that whoever talks most during negotiation loses,” says Bobby Covic, author of *Everything's Negotiable!* Listening is crucial to building trust.

Reading non-verbal communication is also an essential skill in negotiation. Body language and gestures often uncover inconsistencies with verbal communication. Examples of incongruity include a nervous laugh, clenched hands, and leaning back when the issues get hot.

Skill 3 – Emotion, Empathy, and Optimism

Emotion plays a vital role in negotiations. Effective negotiators recognize that their objectives can only be achieved by taking negative emotion out of the equation. Frustration and anger lead to irrational behavior which escalates conflict and breaks down negotiation. Shouting, threatening, and demanding is counterproductive. Positive emotion, on the other hand, helps to maximize the

opportunity for resolution. Even if the other party loses their cool, stay calm, patient, and friendly.

Closely tied to positive emotion is empathy – your ability to sit in the other party’s chair so you may appreciate their interests, constraints, alternatives, and perspectives. If you do not understand what drives them, it will be difficult to structure a viable agreement.

Successful negotiators are optimists. They aim high and expect the best outcome. Your optimism may become a self-fulfilling prophecy. If you expect more, you’ll get more. Conversely, if you have low expectations, you will wind up with a less satisfying outcome. Research substantiates that positive moods increase flexible thinking, creative problem-solving, and respect for others’ perspectives.

Skill 4 – Win-Win Solutions

Your goal should be to secure a good deal without taking advantage of the other party. It is a mistake if you attempt to unfairly win at any cost, regardless of ethics, in a negotiation. If the other person feels they’ve been cheated, it can damage your reputation and diminish your ability to negotiate with that person in the future. This is especially true if you will be negotiating with the same party on a continuous basis. That being said, use facts and principles of fairness to persuade others. Arm them with ways to defend their decisions to their critics and create useful precedents for future negotiations.

Effective negotiators recognize that their objectives are better achieved if they elicit buy-in rather than compliance from the other side. Win-win solutions require bargaining where “give-and-take” happens. It is important that the negotiation is results-oriented. In other words, what is the best long-term solution for both parties?

Skill 5 – Closing the Deal (the Agreement)

Negotiation is like a chess match as it not only requires a sense of the other party’s next move, but several moves down the line. In closing the deal, you must have an end game in mind which involves splitting the remaining difference.

In reaching an agreement, it is important that the other side has the capacity to follow through with the things they said they would do. That being said, it is prudent that you put down in writing common interests as well as a comprehensive summary of the agreement.

The ability to negotiate successfully with prospects, clients, agents and brokers, colleagues, underwriters, claims teams, or others can make the difference between success and failure. It is a skill you must master. If you keep these five skills in mind each time you step into negotiations, you will be well on your way to earning a better income, eliminating frustration, and having a more satisfying career.

The art of negotiation...preparation, strategy, listening, empathy, and optimism.

About the Author

Scott Addis, CPCU, CRA, CBWA is the CEO of Beyond Insurance and is recognized as an industry leader having been named a Philadelphia finalist for *Inc. Magazine's* "Entrepreneur of the Year" award as well as one of the "25 Most Innovative Agents in America." Beyond Insurance is a consulting firm that offers leadership training, cultural transformation, and talent and tactical development for enlightened professionals who are looking to take their practice to the next level. Since 2007, the proven and repeatable processes of Beyond Insurance have transformed individuals and organizations as measured by enhanced organic growth, productivity, profitability, and value in the marketplace.