



Negotiating Women, Inc.

Grace's Givebacks: A Case Study

Grace works for herself, and she constantly finds herself under two kinds of pressure from clients: Either they want to increase the scope of work without increasing her fee or they pressure her to reduce her fees. Sound familiar?

We are going to walk through a specific negotiation and see how Grace handles these pressures. First, a little background:

Grace is a successful headhunter and runs her own search firm, which specializes in biotech. The good news is that she has a full roster of clients. With the boom in biotech, she has plenty of positions to fill. The bad news is that negotiating fees remains a challenge for her. Clients constantly pressure her to provide additional services free of charge and often try to re-negotiate contracts after she's begun the work. Grace is a fanatic about client satisfaction, and she usually gives in to these demands.

We pick up the negotiation when Grace goes to a meeting at one of her clients, a mid-size biotech firm called ENC. Mary, who heads up personnel at ENC, scheduled the meeting, ostensibly to go over hiring for the next 18 months.

Mary begins by praising Grace for some recent hires, but quickly moves to her real agenda. Mary has three issues:

- reduce the fee from 30% of annual salary to 20%
- extend the guarantee period from 30 days to 90
- and stretch out the payment terms from net 15 days to net 60

In the course of laying out these demands, Mary reveals that the CEO has been pressing her to drop Grace's firm from ENC's approved list unless these terms are met.

Mary then says she hopes that Grace will be able to accommodate her demands so that they can continue working together. Buying time, Grace ends the meeting, saying she will get back to Mary in a few days.

Grace leaves Mary's office quite shaken. ENC is an important client. Grace is also angry. The demands, she believes, are unreasonable. All along she has been responsive to ENC's requests, even when they were not part of the original contract. She did not get paid for this extra work, and yet it ate up time she could have devoted to other clients.

Grace begins to think about what her response to Mary's demands should be.

Is there is a deal to be made here?

To figure out what kind of deal or deals you want to propose, you first have to look at your priorities and make some assumptions about the other party's.

Grace obviously wants to keep the client, but she doesn't particularly want to lower her fee; she'd like to be paid for extra work; she doesn't care so much about the guarantee period or the payment terms

Mary, on the other hand, is under pressure from the controller and wants to extend the payment terms; the CEO doesn't like turnover and would like the guarantee period stretched. Mary also likes working with Grace. Other arrangements—even cheaper channels like the Internet--would take time

What potential deals or tradeoffs could Grace propose?

Charlene Barshefsky, former US Trade Representative, summed up how she practiced negotiation (and she had a lot of practice) in a telling observation. "Be clear about what you want and need and then think about the 2000 ways to get where you want to go."

1. Grace could do a simple trade—refuse to cut her fee but give on the guarantee and the payment period
2. Grace could propose a contingent agreement-- a lower fee scale on the condition that she be paid for any extra work. She could introduce a sliding scale on the guarantee—so much if the hire doesn't work out after 30 days, a higher amount after 60, and still higher after 90.

Obviously there are many possibilities. This is just a sampling.

What about the Shadow Negotiation?

We worked through the substantive negotiation and the issues first, but you won't be effective in convincing the other person to accept a proposed deal unless you think you are in a good bargaining position or take concrete steps to get in one.

We want to strategize on what Grace can do at three stages:

- first, how can she avoid getting in her own way
- second, what moves can she make to put herself in a good bargaining position and how can she counter challenges that Mary might make
- and third, what means can she use to create the conditions for a positive, productive exchange

How does Grace get in her own way?

1. She doesn't take advantage of opportunities--rather than negotiate, she gives in.
2. She reads weakness into the situation. She sees this large firm, an important client--who must have a lot more choices than she does--and she bargains herself down.
3. To make the client happy, Grace throws things in for free. She tells herself it's in the interest of the relationship, but what really happens is that she just trains her clients to see her as a person they can take advantage of.
4. Even when she negotiates, she gives back her gains.

Relationships don't have to come at the expense of a fair deal. When value for work is not claimed in a negotiation, it goes unnoticed; and unnoticed it also goes unrewarded.

How can Grace stay out of her own way?

With a little work Grace can easily overcome her tendency to read weakness into her situation and come up with a realistic appraisal.

- *Take stock*
Grace operates in a specialized niche. She has a good track record, happy clients. She can also value what she knows—Mary needs something if she brought this up; they have a good working relationship.
- *Learn as much as she can*
Grace can benchmark by looking at the practices and fees at other firms to see if hers are in line.
- *Assess the alternatives*
What happens if Grace can't make a deal with Mary? It would not be so bad. She's overbooked, loss of ENC as client would be a loss, but not a catastrophe.

What happens if Mary can't make an agreement with Grace? There are other search firms, but not that many in the bio niche and their fees are similar anyway. New channels (like the Internet) would take a lot of work to develop.

When you are a small fish in a big pond, it's very easy to exaggerate the strength of the other side's position and as a result think you are in worse shape than you really are. Actually Grace is not in a bad position here.

What reactions can Grace anticipate from Mary?

The trick is to anticipate what the other person might do; then you are not caught by surprise. Mary might:

- criticize Grace's style
You've always done this work in the past. Why are you being so unreasonable?

- demean her ideas
You can't really be serious about being paid for every little thing.
- appeal for sympathy
I'm in a bind here. Help me out. The controller is really on my case.
- make threats
Business is tight. There are plenty of other firms we could use.
- flatter her
I know you'll do the right thing. We've always had fun working together.

How can Grace resist challenges to her position?

An investment banker we interviewed had trouble setting fees with a straight face when she first went into business for herself. Then she came up with this strategy. "I practice in front of the mirror until I get it right—I play out what I'm going to say, imagine what the other person's reactions might be, and how I would respond. This exercise prevents me from getting caught off guard and lets me fine tune my approach."

Responses Grace might make:

You've always done this work in the past. Why are you being so unreasonable?
My fees are on the low end of the industry scale, and I've just totaled up the hours I've spent on the extras....

You can't really be serious about being paid for every little thing.
I'm in business too. Little things add up. We both know you've been getting a free ride.

I'm in a bind here. Help me out. The controller is really on my case.
Let's look at the pressure points and see where there is any give.

Business is tight. There are plenty of other firms we could use.
You could use another firm. But getting that firm to understand your needs will take time. And I'm sure you'd find no difference in the fee structure. In fact, it would probably be higher since it would include all those extras I don't charge you for.

I know you'll do the right thing. We've always had fun working together.
I do want to do the right thing. I do value our relationship. But relationships go two ways. I want a solution that's fair to both of us.

What does the situation look like from Mary's perspective?

Any effective strategy must take into account not just what the other person might do to you, but what he or she wants and needs **from** you. A big step in this direction is considering the 5 good reasons the other person might have for his or her actions.

Grace spends some time thinking about what may be driving Mary's actions:

- ENC is trying to reduce costs

- She's under pressure from accounting to stretch out payment schedule
- There's been some high visibility turnover that the CEO has noticed and doesn't appreciate
- The labor market is highly competitive and she feels overly dependent on Grace
- If she can't get Grace to agree, she'll have to develop other alternatives and these all mean more work for her
- She doesn't want to look "soft" to her boss or the controller
- Her next salary review is coming up and she's worried.

A final note:

In planning your opening approach, use what you know about the other person. Put it to work to show that you appreciate the other person's situation. Mary needs to come out of the negotiation with some tangible results to show her boss and the controller.

We've come full circle. We started by focusing on Grace—the **you** in any negotiation equation), then thought of how Mary might react (the **other**), and finally imagined ways to create a dialogue (the **us**).

Just remember: No is just the beginning. You don't have to hit a homerun first time at bat.

This article draws on Kolb and Williams' *The Shadow Negotiation: How Women Can Master the Hidden Agendas That Determine Bargaining Success* (New York: Simon and Schuster, 2000), named one of the top ten business books of 2000 by HBR.