

Negotiating

BoardRoom Magazine September - December 2013

Over the course of the last several years, Chris's salary had been held in check with no increase. As part of the budget, Chris had knowingly allowed this to occur in an effort to be a team player during the hard times. Chris had been a solid manager for ten years, keeping the club in good condition. As a result, things had been picking up nicely over the past 18 months. However, through local networking Chris found that there were a number of local managers in similar clubs at far better compensation levels. Chris's employment contract was due to expire in six months; it might be time to negotiate a better deal.

According to Harvard Business School Professors Deepak Malhotra and Max Bazerman, the optimal goal when negotiating should be to create value for both parties. To that end, Ray Noorda, founder of software company Novell, is given credit for coining the phrase "co-opetition." Noorda explains: "You have to cooperate and compete at the same time." Co-opetition is key for leadership seeking to create that added value; for managers who want to maintain their current role while also improving their situation within the club, and for BOD members who want to keep the manager motivated to stay with the club and continue positive work. This paper looks at opportunities to create that value while promoting good relationships through the negotiation process.

In Chris's case it's very important that both parties feel good about the result, because it is a continuing relationship and one of the worst case scenarios is when one party takes advantage of the other. This can result in the harboring of ill will for years to come - or, as unfortunately occurs, a vengeful BOD may make a change at a more opportune time, or a beaten-down manager may jump ship at the earliest convenience.

As a president from a nationally-known Club relates: "There are two avenues for us when it comes to the manager: We want to retain the person and, therefore, want to have good negotiations that leave us both in high spirits, or we've lost faith in their talent and will be negotiating as smooth a change as possible understanding that the result will affect our ability to recruit." While this paper focuses more on the former, the same format and goals are applicable to any situation.

As Professors Malhotra and Bazerman state in their book *Negotiation Genius*, creating positive relationships is key to producing good outcomes. But this comes with a caveat pertinent to the club situation - when a relationship is *too* good, it becomes easier for

one side to take advantage of the other. It is important to understand that satisfaction is a function of how well the negotiators *think* that they did. The closing negotiations are important to making both sides feel satisfied.

In order to attain satisfying results, it is important to understand your own and your counterpart's personality. People have myriad personalities and character traits, but two generalities pertain to those who are *promotion* focused and *prevention* focused. A promotion-minded individual will be keen to take the lead and expect good things to result from their leadership. They are consequently likely to make good opening offers and work towards a positive outcome for themselves. A preventative-minded individual (who is more likely to be a general manager) will tend to settle for lesser offers, only to be disheartened in the end. An interesting finding is that those who are more prevention-minded do exceptional work when negotiating for someone else - their outcomes are equal to, if not a bit better than, their promotion-minded counterparts. If you are a prevention-minded person, frame the negotiation as if you are representing someone or something else - the entire club (when you're a BOD member) or your family (if you're a general manager). Because it is critical that negotiations end to the satisfaction of both parties, understanding your counterpart and not taking advantage of him or her - even unintentionally - is important. Again, it's the perception of the negotiator that will determine his or her level of satisfaction.

The first step in negotiation is to determine the Best Alternative to Negotiated Agreement (BATNA) for yourself and your counterparts. This is the best alternative available should a deal not be made. In the case of a manager negotiating with the BOD, the BATNA may well be status quo, or just keeping the job. It is important to identify all the plausible options available and then select the best one as your BATNA. Your goal is then to negotiate an agreement superior to your BATNA. Difficulties may arise when a person assigns himself a BATNA other than the status quo. For those who think getting into the recruiting market for superior leverage, Dick Kopplin, partner in Kopplin Keubler, offers the following warning: "It is not appropriate, nor in our opinion ethical, for a candidate to use an employment offer letter as a tool to improve their current compensation package. The club, and the recruiter assume that a potential candidate is applying in good faith and not just taking everyone's time to 'kick the tires.' If the candidate is using the interview process as a subterfuge their reputation would be seriously impaired." The process of finding new employment can take several months, from the start of a job search to securing new employment; therefore, it is very dicey to establish a BATNA based on potential new employment.

Clearly, you can determine your own BATNA. Estimating your counterpart's is more difficult, but not impossible, particularly when dealing with a club or manager in a long-term relationship. Here, another part of good negotiations comes into play - relationships. Utilizing a good relationship to learn about the other side's main priority is an excellent way to show trust and transparency in creating that improved value for

both sides. Through conversations, each can learn about the other and ultimately be better prepared when actual negotiation occurs.

Preparation for the negotiation should include a set of negotiating points. Direct cash from the club: salary; health, life, disability insurance; retirement fund; allowances for auto, clothing, housing; club membership (at another club!); professional dues and education. Equally important may be those items that are not direct costs to the club: club privileges; vacation; meeting days, times and number; formalized leadership structure; title change. What's important is to have a good list that crosses both parties' interests. The more issues that can be discussed the more opportunity for logrolling - the ability to create value through negotiating across multiple issues.

Sometimes a manager may feel that their BATNA is just to keep their job and that they are therefore in a position of negotiating weakness. In the June 2013 publication *Negotiation* from Program On Negotiation at Harvard Law School, it is suggested that a good strategy for those who feel that they lack power in a particular negotiation situation is to take a quiet moment just prior to entering the negotiation to reflect on a time when you felt in a position of power. Data reveals that those who take this time for reflection were viewed more favorably by their counterparts.

Another technique that can smooth the process, according to Rom Brafman *Succeeding When You're Supposed to Fail* is the use of humor. Humor is a useful tool for reducing anxiety, but avoid sarcastic or aggressive humor. It's also important to remember that humor is about timing; if humor is not part of your normal repertoire, the best time to start is not at the start of important negotiations - humor that falls flat is a negative.

Negotiators need to keep in mind that physical location has a strong correlation in influencing the outcome. He who sits in his own office has the advantage. Research has shown that there is a distinct advantage to being on your own home turf. A manager looking for an advantage will suggest his or her office, while the BOD representative would suggest the board room. Parties looking to minimize the home court advantage will opt for a neutral location. But make sure to get there first – it's also been shown that being settled into a location for as long as *ten seconds* can make a difference.

When the actual negotiations begin, there is always the issue of who makes the first offer. Those who are promotion-focused will likely make strong opening offers; those who are preventative-focused tend to sit back and receive the offer. However, if the mutual goal is a value-added outcome that is satisfying to both sides, the question of who makes the initial offer becomes almost irrelevant. Additionally, when the negotiations are based on an existing agreement, there is little threat of the anchoring effect coming into play. For example, if this were a negotiation with no prior agreement, the first offer from Chris would be the anchor for his negotiation, and it would be unlikely that the BOD would go higher. On the other hand, an initial BOD offer sets the

lower margin, and Chris would not then be expected to make a counter-offer of less value.

Suppose the first offer made is far superior to your best expectations. In this wonderful scenario, there are some pitfalls, and the manner in which the offer is accepted is important. There are several options. As a manager, you can yell "Yeah, baby!", throw a self-congratulatory fist-pump, and attempt to high-five the president, but this is likely to create concern on the part of the BOD and may not end well in the future. Alternatively, you can immediately and graciously accept the offer, or you may respectfully request some time to step away from the table to review the offer. Research suggests that, even if the offer is clearly acceptable, the most successful tactic is the latter. The important point in closing the negotiation is that both sides feel satisfied with the result. A positive response too early gives the impression that the negotiator making the offer gave away too much, and may eventually lead to hard feelings. Taking time to consider allows the receiving party to actually make certain that the offer is as good as it looks, and allows the counterpart to feel as if they've made a solid offer.

Assuming that the first offer is not the final offer, maintaining calm and respectful negotiations has proven to yield better results than negotiations laden with emotional outbursts. Data has proven that good negotiators are not affected by angry outbursts. Unfortunately, negotiators who perceive themselves to be in a weak position may be influenced by expressions of anger and may make significant concessions. However, it has also been shown that negotiators who rely on anger for advantage do not fare well in the long term. Likewise, a prevention-minded negotiator who has been bullied into concessions will fail to reach the goal of mutual satisfaction and value creation.

Compensation is normally a key factor in the negotiations. When selecting a salary amount, your choice of numbers can make a difference. Most managers will be in six-figure territory, and a more specific number may lead your counterparts to give you greater credibility. For example, if the existing salary is \$112,000 a manager might look for an increase and open the bid at \$117,750; however, too precise a figure will tend to backfire - \$117,752.98 may accurately reflect your needs, but will leave you with low credibility.

When the deal has been struck - negotiate some more! While that may seem counterproductive, it's actually a great time to see if there is some area for mutually beneficial value creation. Once an agreement is reached, the pressure is released. This can be a good opportunity to say, "We negotiated a very good agreement for both of us. I know it was difficult and we'd both like to call it a day, but do you suppose that, since the pressure is off, there might be some areas to discuss where we both could benefit?" Be sure to make it clear that the agreement is done and that the suggestion is not a new negotiation, but one that explores betterment for both sides.

In summary:

- The goal is to create value for both parties
- The result should allow both sides to feel good about the agreement,
- Good relationships ease the negotiations. A professional manager cultivates excellent relationships with all members; who knows who will be next on the Board?
- Recognize your tendency to focus on promotion or prevention
- Establish your own and estimate your counterpart's BATNA.
- Negotiate across many issues, which allows logrolling and the ability to give and take on each other's more important issues.
- Get in the right frame of mind before entering the negotiations.
- Use humor, but not sarcasm or aggressive humor.
- Be aware of the home court advantage.
- Because both sides are looking to create value and, in this case, there is a preexisting agreement, who makes the opening offer is almost irrelevant.
- Even if the first offer exceeds expectations, take time for review.
- Keep the negotiations calm and respectful; anger is not usually beneficial in the long term.
- When offering salary specifics, be accurate, but not overly explicit.
- See if there is an opportunity for betterment after the agreement has been struck.

For both the GM and Board, the end result needs to be that both parties leave the table with a healthy sense of accomplishment. A deal that is good today should be good tomorrow, and the process should strengthen the relationship.

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