

Negotiations

PMM5 Postscript™ Number 48

Background Information: In *Professional Meeting Management*®, fifth edition, Samuel Tepper discusses the importance of negotiating. In Chapter 40, *Negotiating Strategically: Building Relationships and Striving to Do Better than Win-Win*, he:

- Outlines a process-oriented approach to negotiations
- Discusses the win-win concept as it applies to negotiations
- Uses negotiations to build relationships and move from an adversarial to a collaborative environment

PMM5 Postscript Use: Tepper writes that “top-notch negotiators are made, they are not born” (Tepper, 2006, p.604). He states that negotiating is both art and science. He describes in great detail a successful model for negotiating (the science). This PMM5 Postscript™ documents current trends about negotiations for meeting planners. It augments Tepper’s discussion of a negotiating model and provides more information on the “art” of negotiating. The “art” occurs in dealing with various people who have different approaches to negotiation and different skill levels. Understanding more about the negotiation process allows meeting managers to handle their negotiations with confidence. This also increases the chance that the outcomes will be positive for both parties. This PMM5 Postscript™ also includes additional group discussion or research projects to supplement the PMM5 chapter.

Learner Outcomes: At the completion of this reading, you should be able to:

- Describe at least three ways to prepare for a negotiation.
- Identify at least four barriers to successful negotiations.
- List at least two negotiating hazards.
- Describe how a meeting manager can create a more attractive piece of business for a hotel.

Related PMM5 Chapter: Chapter 40, *Negotiating Strategically: Building Relationships and Striving to Do Better than Win-Win*,
Author: Samuel Tepper, PhD



Negotiations as a Business Strategy

Negotiation is a key skill for business. The hospitality industry is famous for swings in supply and demand around hotel space — a primary area for meeting managers' negotiations.

Negotiating is often viewed as unpleasant, because it implies conflict, but negotiating need not be characterized by bad feelings or angry behavior. Negotiating has nothing to do with people or relationships. Negotiating is the process by which two or more parties with different needs and goals work to find a mutually acceptable solution to an issue.

Negotiations in the Hospitality Industry

MeetingNews conducted a survey of 321 planners to assess their style of negotiating. The results reviewed were as follows (Krantz, 2007, p.1):

Among Corporate Planners:

- 60.7 percent Quote actual figures; see if the property can service the meeting well at that price
- 32.2 percent Quote figures close to actual budget; negotiate aggressively to get better terms
- 7.1 percent Ask for too much in some areas; make concessions in return for better terms in other areas

Among Association Planners:

- 67.7 percent Quote actual figures; see if the property can service the meeting well at that price
- 26.0 percent Quote figures close to actual budget; negotiate aggressively to get better terms
- 6.3 percent Ask for too much in some areas; make concessions in return for better terms in other areas

These results suggest that meeting managers have opportunities to refine their negotiating skills and strategies.

Negotiation Preparations

Whatever negotiation strategy a meeting manager adheres to, they are more likely to be successful by preparing for the “art” and “science” of negotiations. Meeting managers can prepare for negotiations by doing the following:

Know the bottom line — Before entering any negotiation, calculate what the bottom line is. How important is the transaction? What are the costs of not successfully negotiating a deal? Establish a bottom line to establish boundaries around the negotiation. This analysis gives the insight as to how much to concede before it is better to walk away. Tepper cites the END™ Analysis or Effect of the Negotiation Demise in the chapter as a model for knowing the bottom line (Tepper, 2006, pp.607-609). John Foster calls it the BATNA — Best Alternative to a Negotiated Agreement. (Foster, 2007).

Tepper advocates that for every negotiation that an overarching objective should be to build your relationships. This suggests focusing on the transaction at hand and also adopting a long-term perspective in assessing the bottom line.

Research, research, research — Information is power. Collect as much information before starting any negotiation. Use conversations with the other party, website information, company annual reports, etc. to help collect information.

The sooner a meeting manager understand the other party's objectives, demands and requests the more prepared they will be for serious negotiating.

For meeting managers research also includes fully documenting the value of the meeting. Historical information will help a meeting manager effectively negotiate. Tepper provides a list of information to be included (Tepper, 2006, pp. 611-612).

For suppliers, the Destination Marketing Association International's (DMAI) Meeting Information Network (MINT) serves as a repository of information about association and corporate meetings. MINT along with other sources will provide information about meetings and the potential revenue.

Be prepared — Before negotiating, know exactly what are the requirements and associated priorities. Be ready to articulate what is important, its relative importance and why it is important. And also anticipate what the other side will have on their list. Compile a list of their wants and needs. Tepper calls this the RINT™ or Ranked Items the Negotiation Table™ Analysis. Anticipate counter-proposals and compromises and think about how to react to each.

Adopt a mind set that is not adversarial — The RINT™ preparation will create a focus that is centered on the other party, not solely centered on you. The more a meeting manager can put themselves in the other party's shoes, the more likely the negotiation will be successful.

Pre-meet as appropriate — The proper preparation for a negotiating requires time to ask questions of the other party and to complete research. Plan to ask for time or an advance meeting before negotiations to ask questions. This allows time to be more focused on the other party and to more fully understand their positions, requirements, wants and motivations.

Preparation is part of the science of negotiating that will make the “art” of negotiating easier when face-to-face with the other party.

Barriers to Successful Negotiation

There are many reasons that negotiations go awry. Meeting managers can ensure that their negotiations are more likely to be successful by avoiding these five common barriers to successful negotiations:

Viewing negotiation as confrontational — As discussed in the overview, negotiation need not be confrontational. In fact effective negotiation is characterized by the parties working together to find a solution, rather than each party trying to win.

Becoming emotional — It's normal to become emotional during negotiations that are important. Often negotiations are fraught with blame and a focus on personalities. In a negotiation, as in any relationship, each party contributes, for better or worse. Blaming others for difficulty only further ignites a situation and creates more emotion. Choose words carefully, speak clearly and positively.

Maintaining coolness allows people to channel their negotiating behavior in constructive ways. Thus, it is important to maintain control.

Possessing a bad attitude — In addition to avoiding emotion and confrontation, the attitude assumed in negotiation (hostile vs. cooperative) will set the tone for the interaction. Possessing a positive attitude also offers a perspective in the negotiation where both parties will leave "winning." Don't view negotiation as a contest that must be won. The final element in having a positive attitude is a point touched upon earlier — the need to understand the other person's needs and wants with respect to the issue.

Focusing on personalities, not issues — People have a tendency to get off track particularly with people they don't like much by focusing on how difficult or obnoxious the person seems. Once this happens, effective negotiation is impossible. It is important to stick to the issues, and put aside our degree of like or dislike for the individual.

Not listening — Focusing on what should be said next instead of listening intently to the other party will derail negotiations. Listening helps establish trust and understanding. From that basis two parties can successfully negotiate.

The meeting manager or the other party may erect these barriers. Or both parties may fall prey to one or more of the barriers. Negotiating becomes easier with practice. Awareness of potential barriers is one key to avoiding the problem.

Principles in Negotiation

Roger Fisher and William L. Urey in their book, *Getting to Yes: Negotiating Agreement Without Giving In*, advance these negotiating principles which support the art and science of negotiating:

- Set the tone early, offset any bad rumors, and be candid.
- Utilize "human factors" and be open about feelings and motives
- Avoid presenting too many issues, highlight the strongest ones.
- Avoid deadlines, lessening the chance for needless concessions.
- Summarize frequently: this enhances understanding.
- Present arguments calmly, without personalization, with logical support.
- Avoid the use of personal opinions in arguments.
- Avoid ultimatums and other forms of non-negotiable demands.
- Admit, when appropriate, the validity of the other party's arguments.

Tips for Successful Negotiations

Starting a negotiation with the principles cited above will set the stage for a positive negotiation. These nine additional tips will help the negotiation process unfold smoothly:

Be inquisitive — Ask questions before and during the negotiation. Skillful questions can reveal valuable information and transform a negotiation from an adversarial conflict into a partnership. Start with open-ended questions and move to narrower, more direct questions. Questions to uncover what the other person's concerns and needs might include:

- What do you need from me on this?
- What are your concerns about what I am suggesting/asking?
- Why is this important to you/to your organization?
- How do you view our business/our meeting?
- Why is our business appealing or unappealing?

Once a question is asked, be quiet and listen carefully. Restate the response to confirm and clarify.

Share information — Both parties rely on each other to be forthcoming with information. It is important to state needs upfront. Offer the underlying reasoning for what is needed (the why).

Be prepared for disagreement — There will be disagreement and disappointment during any negotiation. Disagreement involves the issue not the relationship. But how people disagree will affect relationships. Seek common ground or set the point aside until later.

Expect the unexpected — When confronted with an unexpected demand, it is perfectly acceptable to ask for time to consider the request. Or bundle it with other requests. Avoid quick, unconsidered decisions.

Prepare options beforehand — Project how the negotiation may proceed – best case and worse case. Prepare options in advance. Place yourself in the other party's shoes and anticipate why the other person may resist the proposal, and be prepared to counter with an alternative.

Don't argue — Negotiating is about finding solutions not trying to prove the other person wrong. Where possible use objective criteria for decision-making.

Counting when appropriate — Don't point out that the other party hasn't done any compromising. Always leave room for additional negotiations.

Trade small concession for something in return — Whenever asked for a small concession in the negotiation, ask for something in return. Propose the following question in turn, "If we can do that for you, what can you do for us?"

Don't give up something without asking for something in return. Foster uses the terminology "free gift." He states, "Don't give a concession to the other side without asking for a concession in return." In the same June 2007 article, he cites a Japanese technique of responding to every proposal with a "yes, if" statement. The Japanese, a culture that favors saving face, preserves relationships and keeps the negotiating process going by trading concessions (Foster, 2007, p. 72). By asking for something in return often the other side will make a concession.

Watch the balance — The negotiating process starts with a client and a seller. Depending on the negotiations, the balance may begin to shift between which party wants "it" more — where "it" represents a successful close to the transaction and the negotiations. Watch for shifts in the balance. Once one party seems to want "it" more, then other party has more negotiating power and can adjust accordingly.

Don't leave the other person feeling as if they've been cheated — Everyone speaks about the value of relationships in the hospitality industry. Negotiation is about arriving at a solution not squeezing blood from a turnip. If the other party feels they've been taken advantage of, it will hurt the overall relationship.

Most negotiations should leave both parties feeling satisfied with the outcome. Give up concessions that don't really matter in order to create a feeling of goodwill.

Negotiating Hazards

Negotiating hazards represent opportunities where the negotiation process can be vulnerable and risky. Here are some potential hazards:

Timing — Don't be caught negotiating when there is:

- A high degree of anger on either side
- Preoccupation with something else
- A high level of stress
- Tiredness on one side or the other

Avoid negotiating during these situations. If they arise during negotiations a time-out/rest period is in order, or perhaps rescheduling to a better time.

Finalize the agreements — Don't leave details hanging. It is often amazing how two people sitting in the same room can have different perspectives concerning what was agreed upon. To ensure that everyone is clear, summarize the agreement verbally or shortly afterward in a letter of agreement. There is a chance that the other party may not be negotiating in good faith or from the same principles that you are.

Good guy/bad guy — This tactic is common whenever negotiating with two people. One of them appears to be mean and hard-nosed. The other is warm, friendly, and very sympathetic. The good guy/bad guy routine can cause a person to be psychologically drawn to the "good guy" and want to please that person. Counter the tactic by letting the other party know you realize what they're doing. Typically, they will back off of this well-known strategy.

Ask my manager — Ensure that you are negotiating with a decision maker. In early stages of negotiations it may be acceptable to allow negotiation points to go back to a "higher authority." However, ultimately this wastes time. If the other party is relying upon a "higher authority", request that the "higher authority" participate in the negotiations or set a one- or two-day deadline for their approval or revisions. Foster suggests asking the question at the outset, "Do you have the authority to negotiate terms that differ from your standard contract or is there someone you have to go to for approval?" (Foster, 2007, pp.71–72). This will allow a meeting manager to include the "highest authority" in the negotiations at the outset.

The nonstop negotiator — A nonstop negotiator does not view a signed contract as the end of negotiations. Rather, they see it as just the start of negotiations. The nonstop negotiator will keep coming back with additional requests. The nonstop negotiator is counting on the other party having psychologically "moved on" and expects to find the other party vulnerable to their requests.

"Work it out later" — The other side says, "That's not a big problem. We can work that out later." When "later" arrives, there is time pressure to complete the negotiations. People become flexible when they're under time pressure, and they will make concessions. Time is one of the factors that always affects the outcome of negotiations. Work to resolve all the issues well ahead of a deadline.

Wiggle Room in Hospitality Negotiations (Hotels)

Negotiating opportunities primarily depend on how important the business is to the hotel. A meeting manager can make their business more attractive through the following:

- Guaranteeing multiple meetings
- Guarantee repeat business. (Making a commitment to hold next year's meetings with the same hotel brand is a powerful selling point.)
- Shifting dates to meet the hotel's demand. By asking about the facility's peak, off-peak and shoulder seasons, and the days of the week on which it would prefer to book business, a meeting manager may not only make the business more attractive but also have greater leverage when negotiating
- Maximize the use of the hotel property for as many catering functions as possible. Holding dinners and meal functions at the hotel vs. an off-site property generates more revenue for the hotel.

The overall profit profile influences the meeting manager's ability to negotiate. Be fully aware of the revenue that the group will generate. Look for areas to increase the attractiveness of the business. Consider all sources of revenue including:

- Early arrivals or extended stays by attendees
- Spending habits of attendees
- Heavy use of suites by suppliers or exhibitors
- Future meeting opportunities

Of all the areas for wiggle room in hospitality negotiations, space is generally the best opportunity. Hotels are typically looking to maximize revenue from sleeping rooms and catering sales. On the other side, there are many concessions and areas open for the meeting manager to negotiate into the contract including:

- Complimentary amenities like free limo pickup at the airport or upgrades to concierge level
- Ancillary service fees like resort fees or storage charges and handling fees
- Designated VIP check in for guests (at larger resort properties)
- Complimentary services for attendees like turn-down service and daily newspaper
- Presentation materials including easels, flip charts, presentation boards
- Complimentary items like free sleeping room per 50 picked up, welcome receptions, afternoon breaks or welcome breakfast
- Services which don't represent (any or large) incremental costs for the hotel like passes to the health club, early check-in, late check-out or internet access

Finally, meeting managers must understand the realities of negotiating for hotel space. Market conditions change and it is important to be realistic about what is reasonable in a buyer's or seller's market.

Summary

The act of negotiating is enough to make many people – including meeting managers - panic. Negotiating is a skill that can be developed through experience, knowledge and preparation. Negotiation itself is a careful exploration of differing positions, with the goal of finding a mutually acceptable

solution that gives both parties as much as possible. The aim of win-win negotiation is to find a compromise that is acceptable to both parties, and leaves both parties feeling that they've won, in some way, after the negotiation.

Group Discussion or Projects

1. The survey results from *MeetingNews* suggest that negotiating is not a value-added task for meeting managers. They perceive that their time can be better spent on other activities (or they don't have the time it takes). The article states, "Meeting planners are generally not hard-nosed negotiators, preferring a smoother, less time-consuming process over squeezing the most savings they can from hotel sales managers, according to the latest *MeetingNews* survey." Do you agree or disagree with that statement?
2. The perception is that in negotiations a person has to be unpleasant. Fisher and Urey offer the advice to be "hard on the problems and easy on the people." If you were involved in a negotiation where someone was being difficult, how would you turn the situation around?
3. As an adversary, a person wants to defeat the other party. However, acting as a partner, what skills would a person need to employ in a negotiation?
4. Assess this statement as it relates to negotiations and meeting managers – "Your job is not to be liked. It's to be respected and effective." Do you agree or disagree with the statement?
5. When negotiating tough contractual issues like attrition, how can a meeting manager frame the issue as a collaborative quest?

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