

Farmers in Transition

Negotiation Strategies



Oklahoma Cooperative Extension Service • Division of Agricultural Sciences and Natural Resources

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Negotiation: "To confer with another person so as to arrive at a settlement of some matter; also to arrange for or bring about such conferences" (Merriam-Webster Dictionary).

Like it or not, you are a negotiator. Whether in family or business dealings, people reach many decisions through negotiation. You haggle with the cattle buyer for an acceptable price for your steers. You discuss with farm help the wages you are willing to pay them and the quality of work you expect in return. You dicker with the equipment salesman for a new piece of machinery. And you negotiate the terms of your latest operating note with your lender. Negotiation is a fact of life.

Most people know of only two ways to negotiate, either soft or hard. The soft negotiator wants to keep peace and readily makes concessions to avoid or resolve conflicts. The hard negotiator sees conflict as a battle in which the person who takes the most extreme position and holds out fares better. The soft negotiator may end up feeling used and abused; the hard negotiator may exhaust himself and damage or destroy his personal relationship with the other party. Typical strategies for negotiation often leave people dissatisfied, worn out, or hostile and perhaps all three.

The most common form of negotiating--positional bargaining--depends on successive taking and giving up of positions (imagine two people haggling over the price of an item). Although positional bargaining can be successful, it is not necessarily efficient and may not result in a peaceable solution. Negotiators may lock into positions, becoming more committed to the position than to the underlying concerns or original interests of either party. Eventually they may feel that compromise will result in losing face.

Positional bargaining also creates incentives that stall settlement--individuals may take extreme positions, stubbornly hold to them, drag their feet, threaten to walk out, try to deceive the other party, and so on. Rather than jointly attempting to produce an acceptable solution, positional bargaining becomes a battle. Any agreement reached may reflect splitting of differences, rather than

careful and creative development of a mutually beneficial solution.

What is the best way for people to deal with their differences? This fact sheet summarizes one possible step-by-step strategy for coming to mutually acceptable agreements in conflicts using *principled negotiation*. This method of negotiation is described in the best-selling book, Getting to Yes: Negotiating Agreement Without Giving In by Roger Fisher and William Ury. In general, recommended steps for successful negotiation are:

1. Separate the people from the problem.
2. Focus on interests, not positions.
3. Invent options for mutual gain, that is work together to create options that will satisfy both parties.
4. Insist on using objective criteria for judging a proposed solution.

Whether you are analyzing a stressful situation, planning a negotiation or discussing options, you will want to consider these four points.

Separating the People from the Problem

Everyone knows how hard it is to deal with a problem without people misunderstanding each other, getting angry or upset and taking things personally. Negotiating resolutions may be easier if you remember the "other side" is a human being with emotions, deeply held values, a different background and viewpoints and is, like you, somewhat unpredictable.

In negotiation, the "people problem" often causes the relationship to become entangled in discussion of the problem. Personality differences may cause conflicts unrelated to a business problem. Dealing with a problem and maintaining a good working relationship need not be conflicting goals. But, the negotiating parties must be committed and psychologically prepared to treat the relationship and problem separately. You can be prepared by anticipating potential "people problems" of three kinds: perception, emotion, and communication. And, remember you have to deal with your own as well as their people problems.

Perception

Don't confuse your perceptions with reality and don't deduce the other side's intentions from your fears. The farmer who gets a notice from his lender requesting additional financial statements may jump to the conclusion that he is about to be foreclosed upon. In fact,

bank examiners may be requiring the lender to increase loan documentation. The request for additional financial information may have been sent to all bank customers with outstanding loans.

Put yourself in the other party's shoes. Each side in a negotiation may see only the merits of its case and only the faults of the other side. The ability to see the situation as the other side sees it, as difficult as it may be, is one of the most important skills a negotiator can possess. Withhold judgement while you "try on" their views. They probably believe that their views are right as strongly as you believe yours are. Discuss each other's perceptions. For example, in negotiating a new lease agreement for cropland, you might say, "I felt that our previous arrangement for expense and crop sharing was fair. Do you feel the same way?"

Although blame is an easy trap to fall into, don't blame them for your problem, no matter how tempting. *Even if blaming is justified, it is usually counter-productive.* The other side becomes defensive and will stop listening or begin a counter attack. Give them a stake in the outcome of the negotiation by making sure they participate in the process.

Make your proposals consistent with the other side's values. Often in negotiation, people hold out not because a proposal is unacceptable, but simply because they want to avoid the appearance of backing down. If a proposal can be presented so that it seems a fair outcome, they may accept it.

Emotion

Feelings may be more important than talk, particularly in a bitter dispute. Recognize and understand emotions, both theirs and yours. Make emotions explicit--talk about them--and acknowledge them as legitimate. Allow the other side to let off steam, if need be. It may make it easier to talk rationally later. Listen quietly without responding to attacks and encourage the speaker to continue until he or she has said everything he/she wants to say. Don't react to emotional outbursts, as it may lead to arguments which hinder negotiations.

Communication

Without communication, there is no negotiation. Listen actively and acknowledge what is being said. Listening enables you to understand their perception, feel their emotions, and hear what they are trying to say. Ask the other party to spell out exactly what they mean or repeat ideas if they are unclear to you. For instance, if you have wheat pasture and are thinking about leasing it to a stocker operator, the cattleman may ask if you have a receiving program available. You might need to ask him to define a receiving program or list the options (holding, feeding, vaccinating, etc.) he considers essential. Active listening improves not only what you hear but what they say.

Talk to the other side--a negotiation is not a debate! Speak about yourself, not about them. Describe a problem in terms of its impact on you rather than in terms of what they did. For example, say "I feel let down" instead of "You broke your word". Speak with purpose and make every word count.

Focus on Interests, Not Positions

For a wise and fair solution, reconcile interests not positions. Behind opposed positions lie shared and compatible interests as well as conflicting ones. A farmer trying to buy a drill needs it to get in his wheat crop and generate income. The machinery dealer has an investment in the drill and needs to recover the cost of the equipment, interest on borrowed money, store overhead costs, salaries of salesman, etc. The farmer and machinery dealer have compatible interests -- the farmer would like to have the drill and the machinery dealer would like him to have it. Conflicts may arise when terms of an exchange are discussed.

Each side has multiple interests. The most powerful interests are basic human needs: security, economic well-being, a sense of belonging, recognition, and control over one's life. Identify the interests of all the parties involved in the negotiation. Ask why, and then ask why not? Make a list to sort various interests on each side. It helps to write them down as they occur to you. Make your interests come alive--be specific. Concrete details not only make your interests credible, they also add impact. Do not however imply that the other side's interests are unimportant or illegitimate.

Acknowledge their interests as part of the problem. If you want the other side to appreciate your interests, begin by demonstrating that you appreciate theirs. Do unto others as you would have them do unto you. If you want someone to listen to and understand your reasoning, give your interests and reasoning first and your conclusions or proposals later. Be concrete but flexible. Begin your negotiation with well thought out interests and options, but keep an open mind.

Be hard on the problem, soft on the people. Spend your aggressive energy focusing on the problem, looking forward, not back. Two negotiators, each pushing hard for their interests, often stimulate each other's creativity in developing mutually advantageous solutions.

Invent Options for Mutual Gain

Skill at inventing options is one of the most useful assets a negotiator can have, but it does not come naturally. Practical negotiation appears to call for practical thinking, not wild ideas. Four obstacles often inhibit consideration of multiple options: premature judgement, searching for a single answer, the assumption of a "fixed pie", and thinking that "solving their problem is their problem". By focusing on a single best answer too early or taking sides, you are likely to short circuit a wiser decision-making process in which you select from a large number of possible answers. How do you get around these obstacles to develop creative options? You need to:

1. Separate the act of inventing options from the act of judging them.
2. Broaden the options on the table rather than look for a single answer.
3. Invent ways of making their decision easy.

Separate Inventing from Deciding

Separate the creative act from the critical one; in other words, separate the process of thinking up possible decisions from the process of selecting among them. Invent first, decide later. A brainstorming session is the next required step. A brainstorming session with a few friends and colleagues should produce as many ideas as possible to solve the problem at hand.

Although more difficult than brainstorming with your own side, brainstorming with people from the other side can prove extremely valuable. Perhaps the farm landlord and tenant could discuss what they've heard about allocating responsibilities differently, so that both end up better off. To protect yourself when brainstorming with the other side, distinguish the brainstorming session explicitly from a negotiating session where people state official views and speak on the record.

Broaden Your Options

Even with the best of intentions, participants in a brainstorming session are likely to operate on the assumption that they are really looking for the one best answer. At this stage however it is good to come up with several options thus providing room within which to negotiate.

Another way to generate multiple options is to examine your problem from the perspective of different professions and disciplines that can offer unique insight into the situation. For example in the farm family/creditor discussions it may be helpful to seek the advice of specially trained Cooperative Extension Specialists to act as a third party to provide options for the two parties to consider.

Look For Mutual Gain

Shared interests may not be immediately obvious, but look for them. *Ask yourself: Do we have a shared interest in preserving the relationship? What opportunities lie ahead for cooperation and mutual benefit? What costs would we bear if negotiations broke off?* Shared interests should be looked at as opportunities. Stressing your shared interests should make the negotiation smoother and more peaceable. One way to come to a mutually acceptable agreement is to invent several options all equally acceptable to you and ask the other side which one they prefer. *You want to know which is preferable, not necessarily what is acceptable.* You can then take that option, work with it some more and present additional variations. Thus, you can improve a plan until you can find no more joint gains.

Since success for you in negotiation depends upon the other side's making a decision you want, you should do what you can to make that decision an easy one. Avoid being too impressed with your own case, especially if you neglect the interests of the other side in the process. To overcome the short sightedness that results from looking too narrowly at one's immediate self-interest, put yourself in their shoes. Look for precedents in other negotiations that might shed light on or support your case.

Using Objective Criteria

Negotiate on the basis of objective criteria. An objective criteria is independent of the will of either side. Suppose for example your lender informs you he will not renew your operating note this year. You explain, calmly, as many reasons as you can think of "off the top of your head" why you believe he/she should renew your operating note. What may develop is a contest of wills. Using objective criteria moves the contest away from individual wills and focuses on specific, objective decision-criteria that are mutually agreeable.

It helps produce amicable and efficient negotiations. The first step in developing objective decision criteria is to discuss with the other party possible "fair" standards and procedures. Decide on exactly what objective criteria are mutually acceptable and establish checks to ensure that criteria to satisfy the agreed upon objective is met. Let's say that in the borrower/lender dispute, the mutually agreed upon criteria is a realistic cash flow plan indicating the ability to pay all debt and expenses when due. The values for expected receipts and expenses should be agreeable to both sides.

Call upon a trained financial diagnostic Cooperative Extension Specialist or other professional to assist you in developing objective criteria. The more standards of fairness, efficiency or scientific merit you bring to bear on your particular problem the more likely you are to produce a final package that is wise and fair.

Other examples of objective criteria include basing decisions on standards such as market value, precedent, what a court would decide, equal treatment, efficiency, etc. For example, when negotiating the price of a piece of farm land an appraisal often serves as an objective criteria from which the real estate agent and client (potential purchaser) can negotiate an acceptable price.

Objective criteria should apply at least in theory to both sides. You can use the test of reciprocal application to tell whether a proposed criterion is fair and independent of either party's will. For example, if the real estate agent selling you the farm land offers you a standard form contract, you would be wise to ask if that is the same standard they would use if they were buying farm land or property.

Remember, no matter how good you feel about the objective criteria you have come up with you must come to the table with an open mind. *Frame each issue as a joint search for objective criteria.* To encourage a team approach, ask the other person for their theory or rationale. *Reason and be open to reason.*

Summary and Conclusions

The four positions of *principled negotiation*--separate the people from the problem, focus on interests rather than positions, generate a variety of options before deciding what to do, and base the result on some objective standard--are relevant from the time you begin to think about negotiating until an agreement is reached or you decide to abandon the effort. *A negotiation is successful if it is efficient, produces a wise agreement when agreement is possible, and improves or at least does not harm the relationship between the negotiating parties.* In contrast

to positional bargaining, principled negotiation permits you to work with another person as a team in a search for a solution. And, separating the people from the problem allows you to deal directly and compassionately with other negotiators as human beings.

Building a relationship of trust, understanding, respect and friendship can make later negotiations smoother. Base the relationship on accurate perceptions, clear communication, appropriate emotions, and a forward looking outlook.

Trying to focus on the basic interests of each side, rather than on "winning" or "losing" will likely produce more efficient results. Keeping an open mind yet being well prepared provides an opportunity to invent options which could serve the interests of both sides and speed up the negotiation.

Italicized sections of this OSU Facts were taken from the book "Getting to Yes" by Roger Fisher and William Ury.

Other Fact Sheets in the Series:

**Monitoring Your Farm Financial Situation
FS-193**

**Coping with Restructuring or Loss of the Farm
FS-197**

Finding a New Career FS-196

Evaluating Options for Change FS-195



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