

How good are your negotiation skills? AMNT Members' Meeting

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23 February 2016

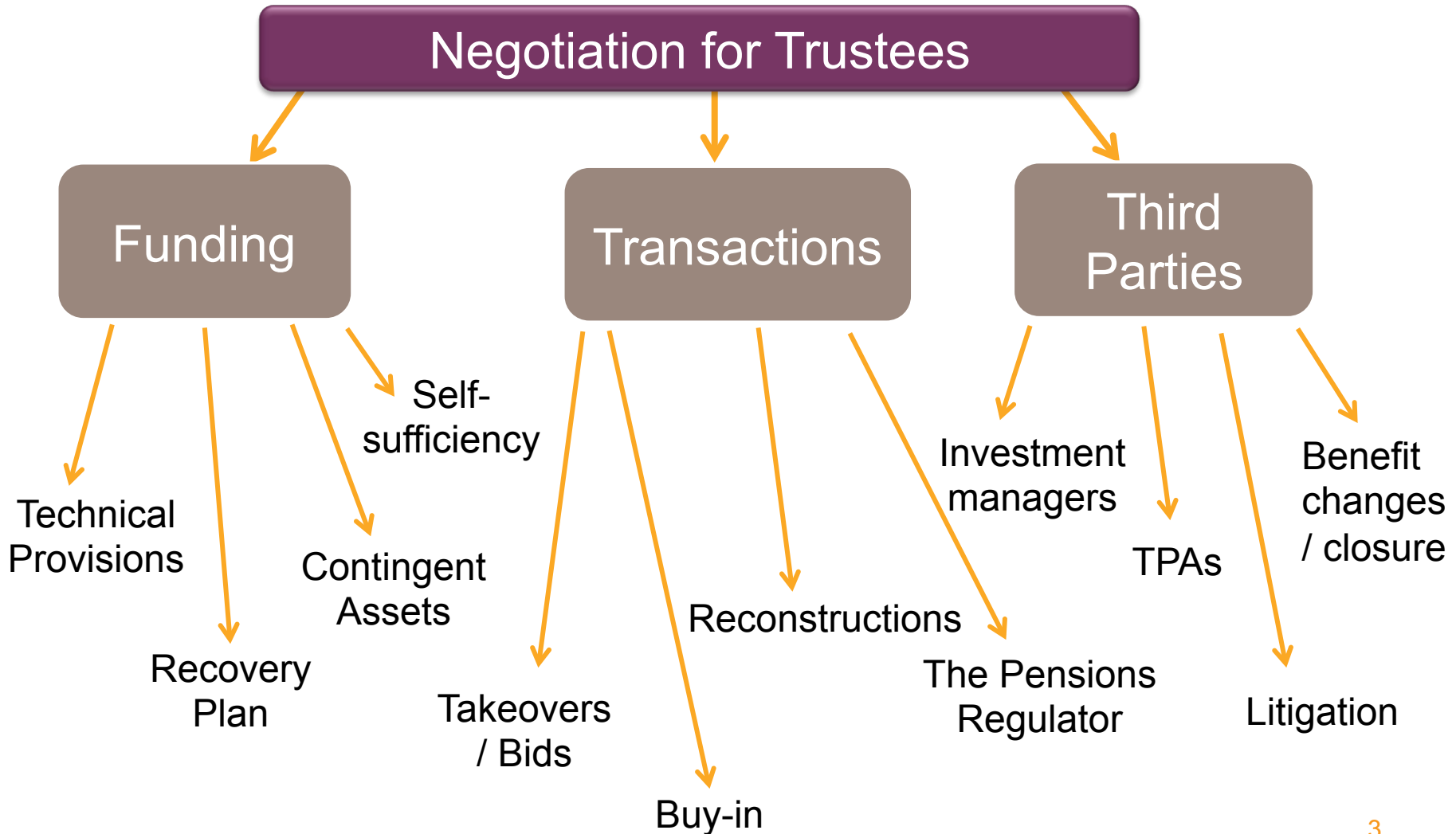
Areas to be covered

Preparation

Engagement

Dealing with
deadlock

The arena



Characteristics of the negotiation

- Key difference to conventional negotiation → No walkaway negotiation
- Reasoned
- Power Play
- Mutual gain

“Instead of attacking each other you jointly attack the problem.” Getting Past No : Negotiating your way from confrontation to co-operation

Step 1 : Preparation

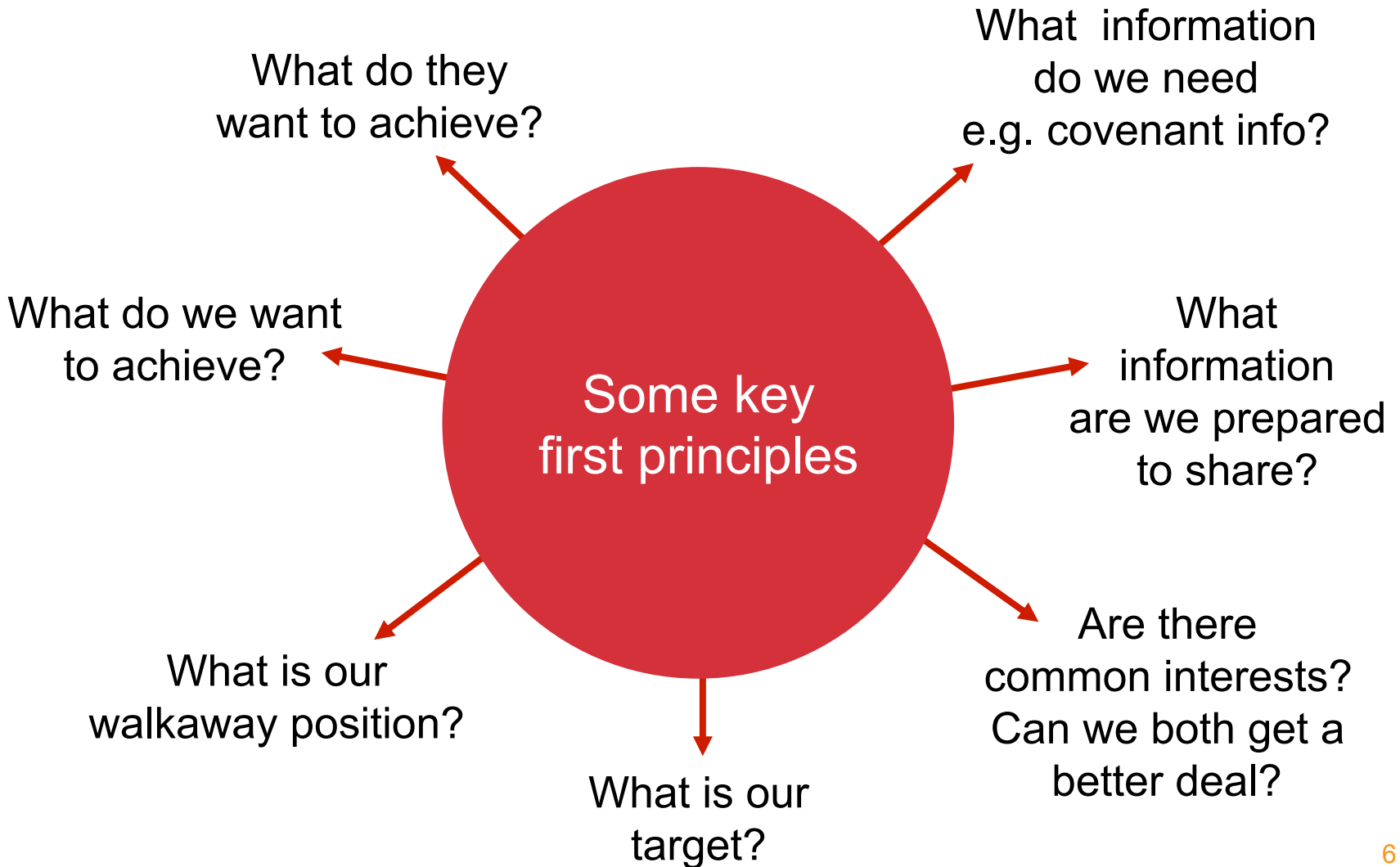
Preparation is key!

Establishing the negotiating arena

“Trustees should be well prepared and be willing to work with the employer to reach a common agreement”

TPR’s Code of Practice 03, Funding defined benefits

Map out the negotiating arena



The negotiating arena

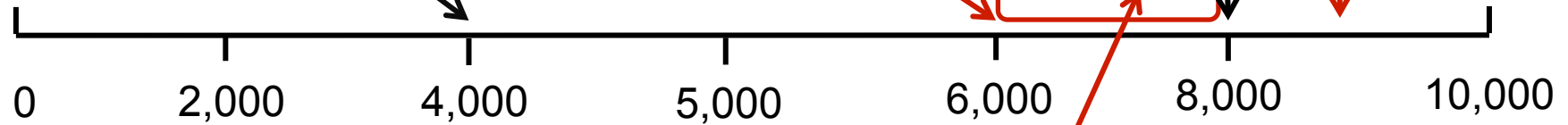
Example – Buying a car



You want to pay

But will drop to

He wants
But can go to



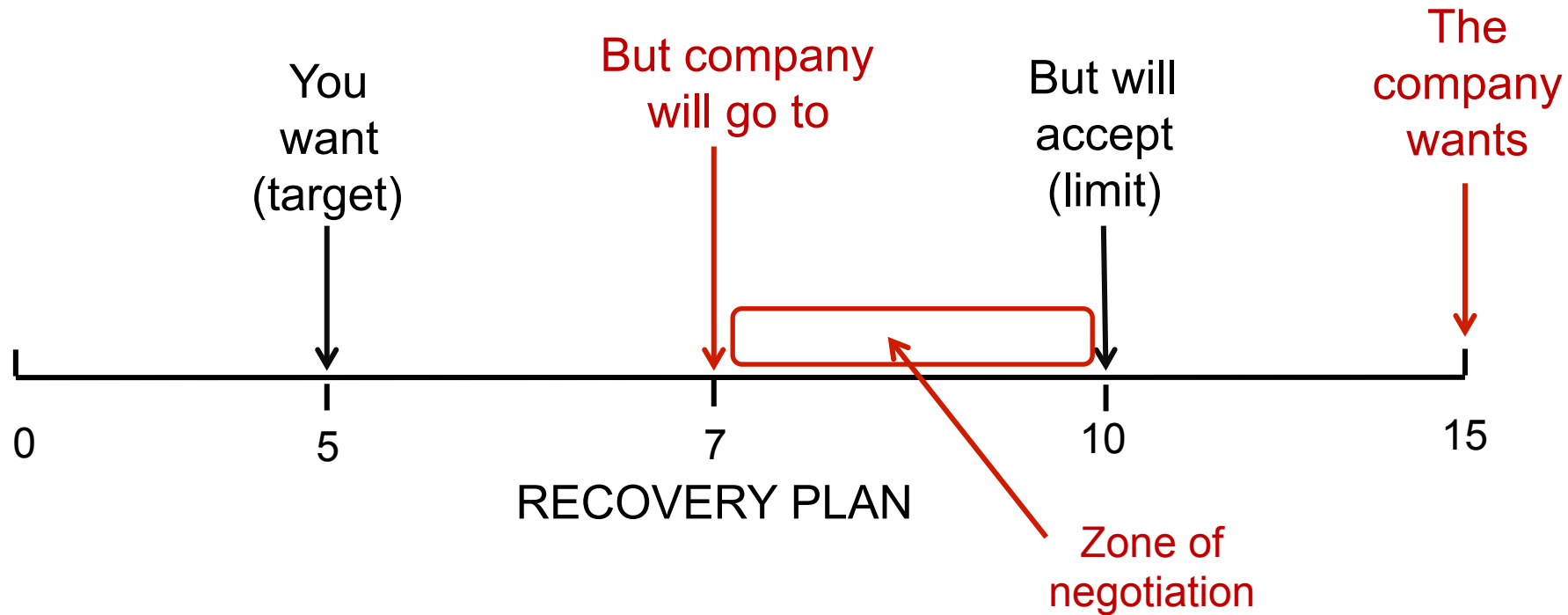
You

Diamond geezer

Zone of negotiation



How does it work in a pensions context?



Existing recovery period acts as natural starting point

“Prepare by knowing your walk away [conditions] and by building the number of variables you can work with during the negotiation you need to have a walk away a combination of price, terms and deliverables that represents the least you will accept. Without one, you have no negotiating road map”

Keiser

Key Variables in the negotiation

Technical Provisions	Your Target	Your Limit	The Company's Target	The Company's Limit
<ul style="list-style-type: none"> • Discount rate <ul style="list-style-type: none"> • pre-retirement • post-retirement • Mortality <ul style="list-style-type: none"> • base table • improvements • Inflation <ul style="list-style-type: none"> • rate • caps • CPI / RPI gap • Commutation <ul style="list-style-type: none"> • allow for? • Recovery Plan <ul style="list-style-type: none"> • length • Asset outperformance • Contingent Assets <ul style="list-style-type: none"> • yes / no. Type 	1.75%	1.25%	1.00%	1.5%
	0.5%	1.0%	1.0%	0.75%
	7	13	15	10

FULL TRUSTEE DEBATE

Facilitated /
Structured

An important role for
the scheme's advisers

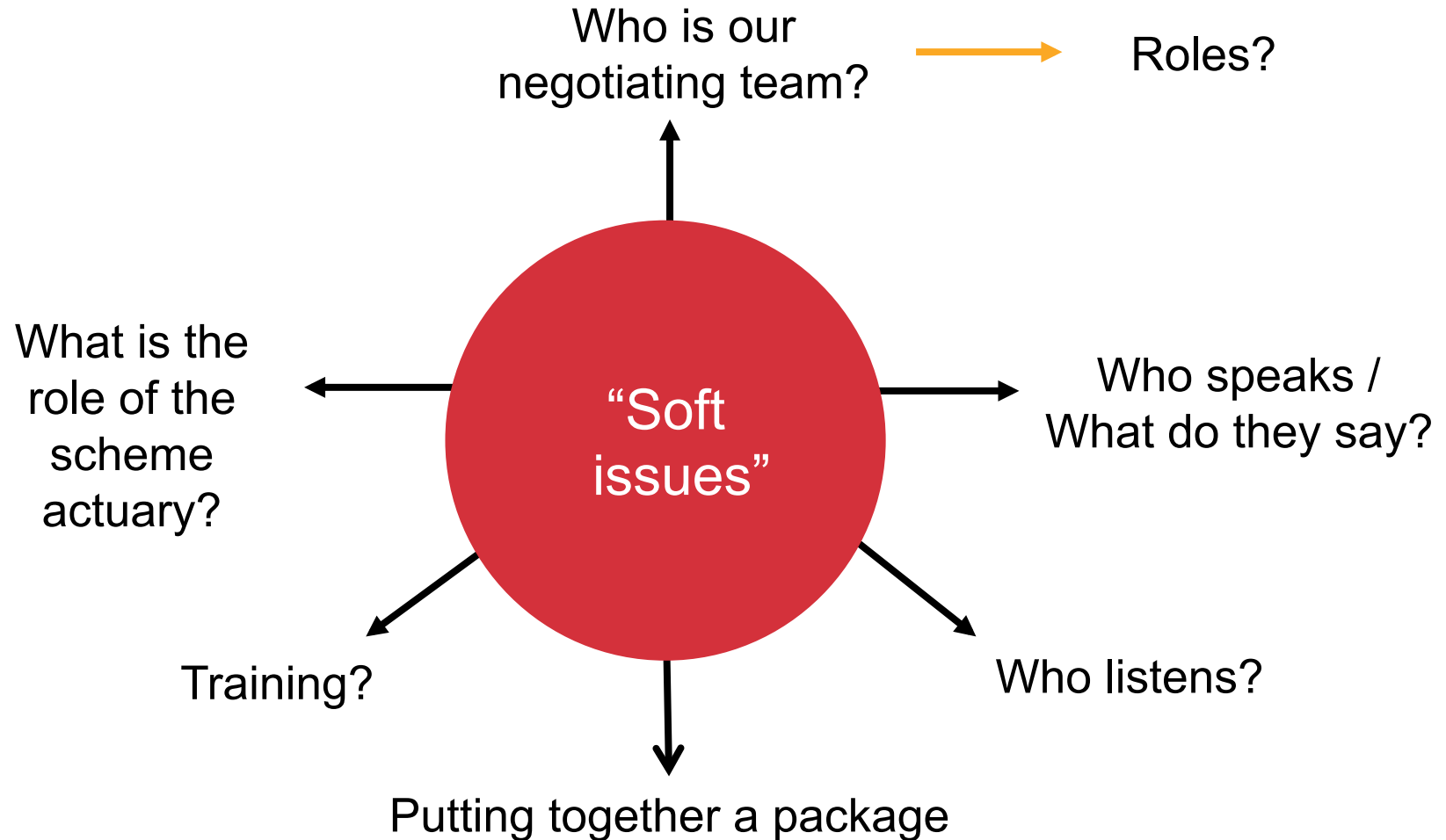
Arrive at
negotiating
mandate

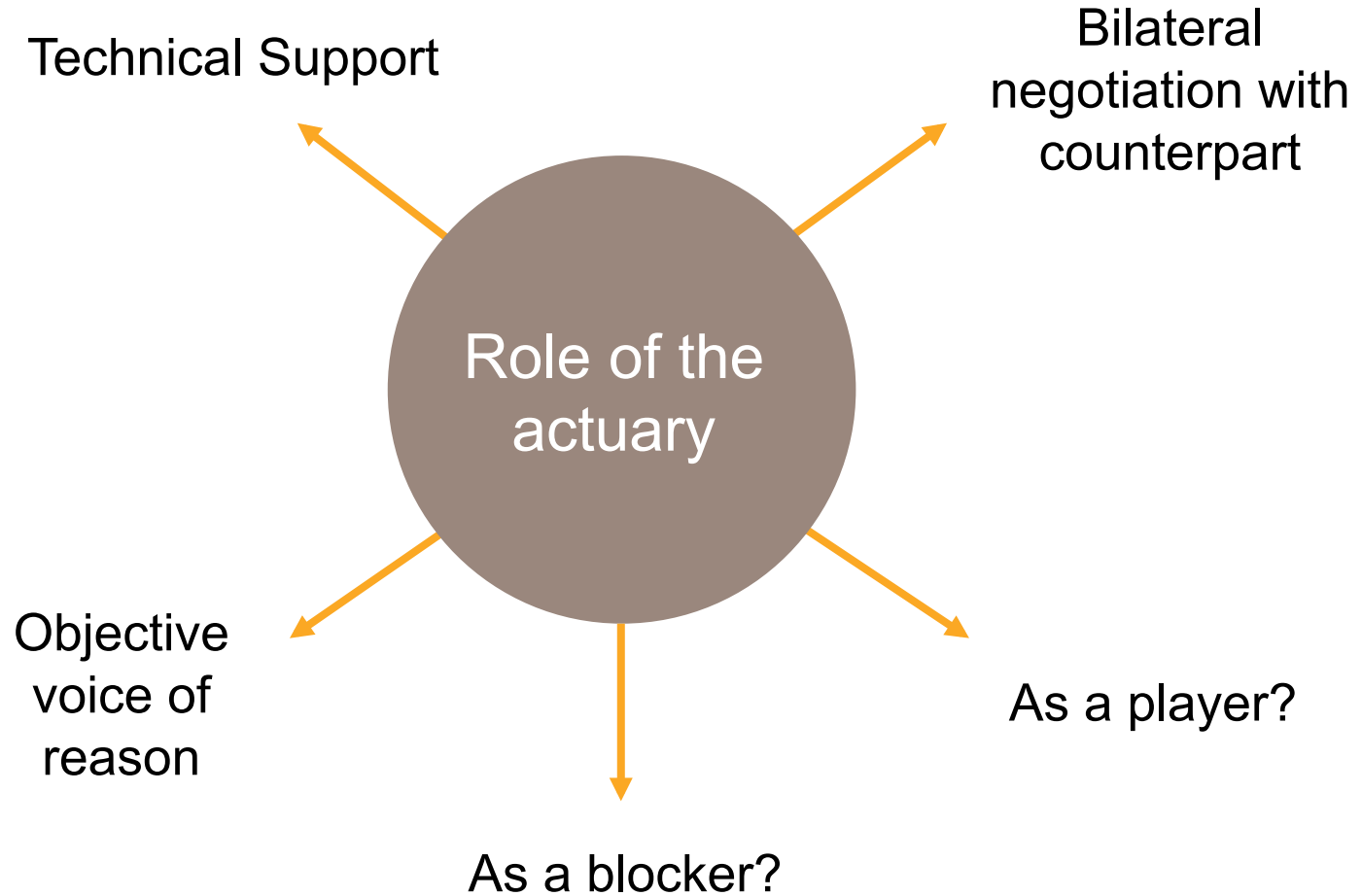
Targets / Limits /
Concessions

Report backs?
/ Authority to
agree

Manage
conflicts

Preparing more than just boundaries





Who are you?

Types of negotiators



“TOUGHIE”



“WARM”



“NUMBERS WOMAN”



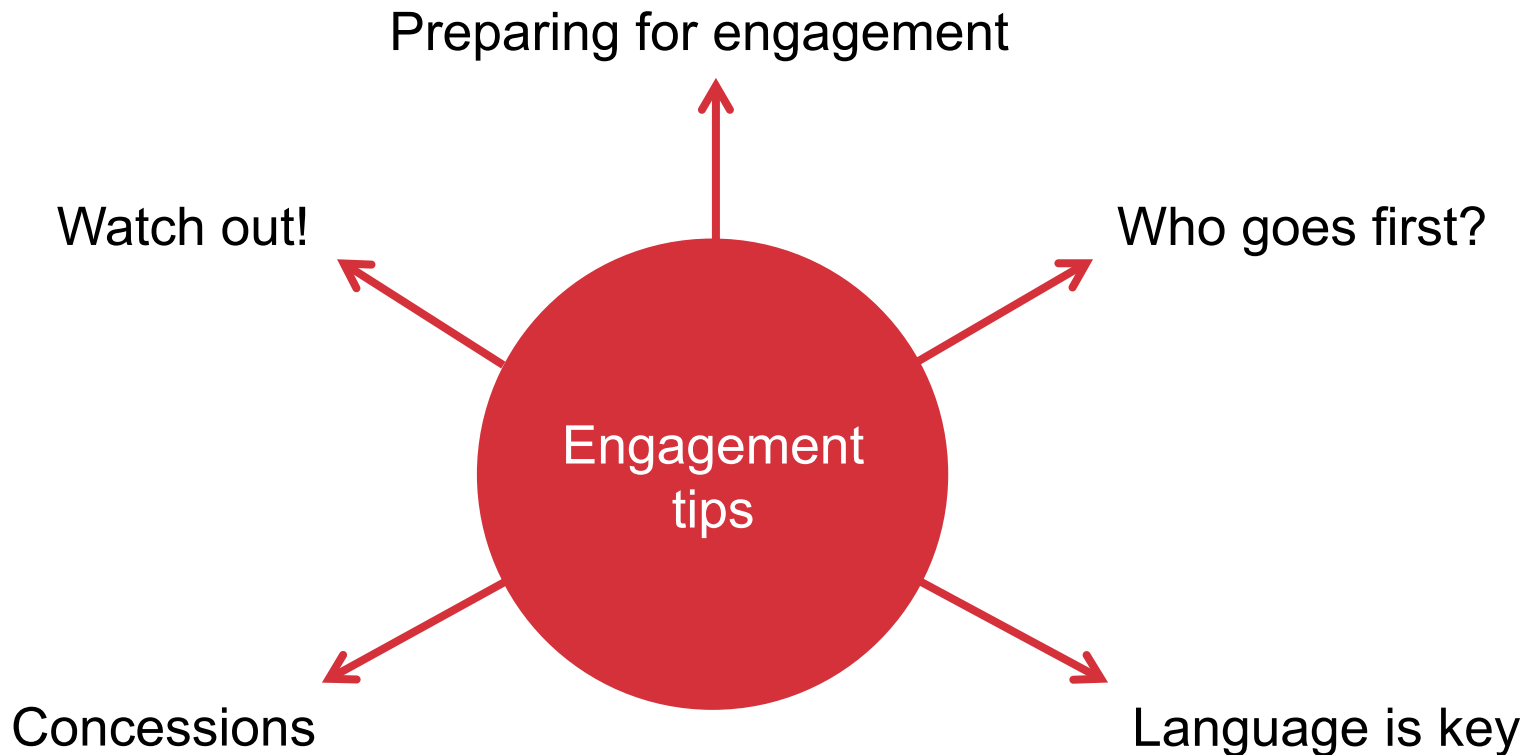
“DEALER”

And what are your opposite numbers?
Think about their characteristics.



- Negotiation is a continuing process
- Goodwill / effective communication is key

Step 2: Engagement



Let's get going

Key question who goes first?

You let them go first?

You go first

Pleasant surprise?

Let them show their hand

Will anchor closer to your target



“If you haven't prepared an opening offer, you shouldn't be at the bargaining table. Remember, your opening offer is a behavioural manifestation of your aspiration point. So it's imperative to prepare your opening offer.”

Thompson L (2008) The Truth About Negotiations

Opening offer needs to be

Realistic



Otherwise lose credibility

But aspirational



Remember the anchor.
Give room for manoeuvre

Package



Don't be salami sliced.
Conditionality key

Nothing is agreed until everything is agreed

LANGUAGE CRITICAL

Firm and precise

Not loose and flabby

“Our opening offer is ...”

“We’re looking for ...”

“Our actuary says will need between £100m and £125m ...”

“I know that sounds high, but I’m not sure the trustees will accept lower ...”

“We would probably settle for ...”

“We were rather hoping for a charge, but if that is difficult, we’d accept a guarantee ...”

LANGUAGE CRITICAL in how you respond to counter-offers

“That longevity assumption doesn’t work for us because ...”

“The collateralisation package you’ve just described is unacceptable ...”

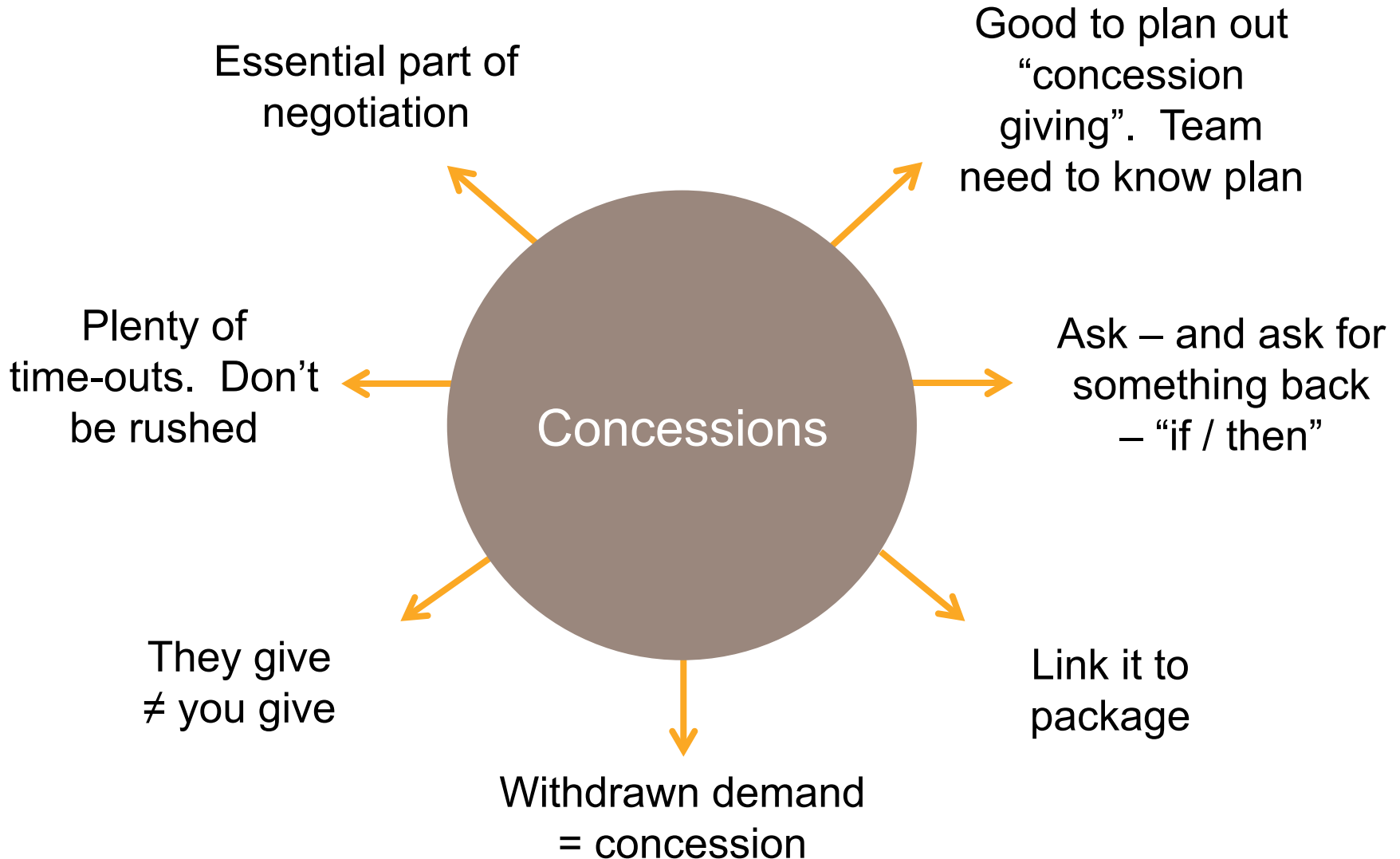
“You’re going to have to improve on that ...”

But avoid rude - “that’s ridiculous”

 sarcastic - “you’ve got to be joking”

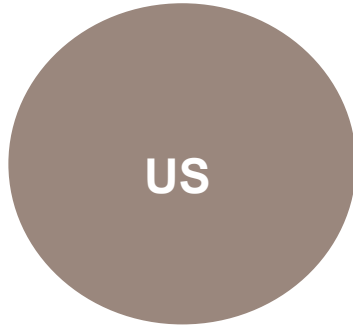
SILENCE IS GOLDEN

Active listening not only allows us to assess the other side's position, but also enhances our own position through the power of silence.

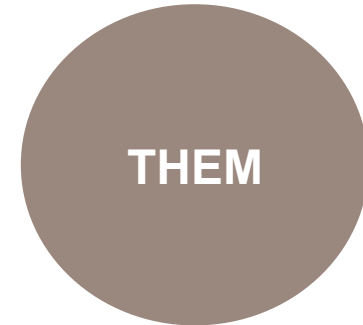


Concession planning

What is valuable to them but cheap for us?



Concessions we will give



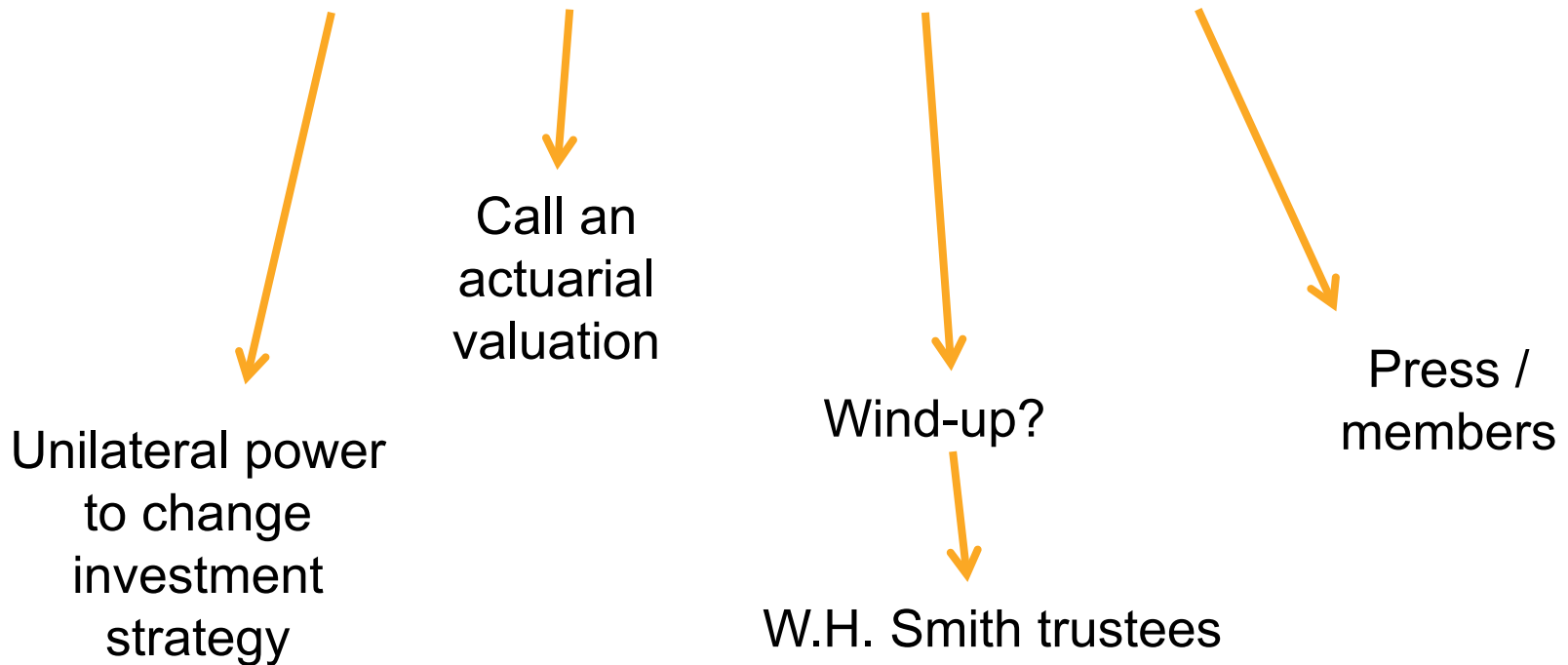
Concessions we expect to get

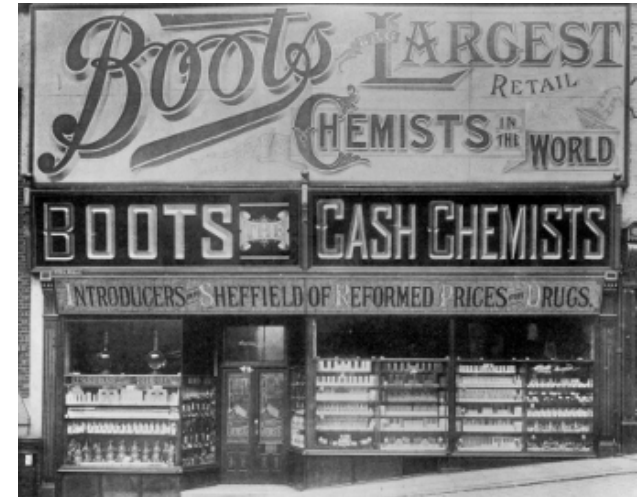
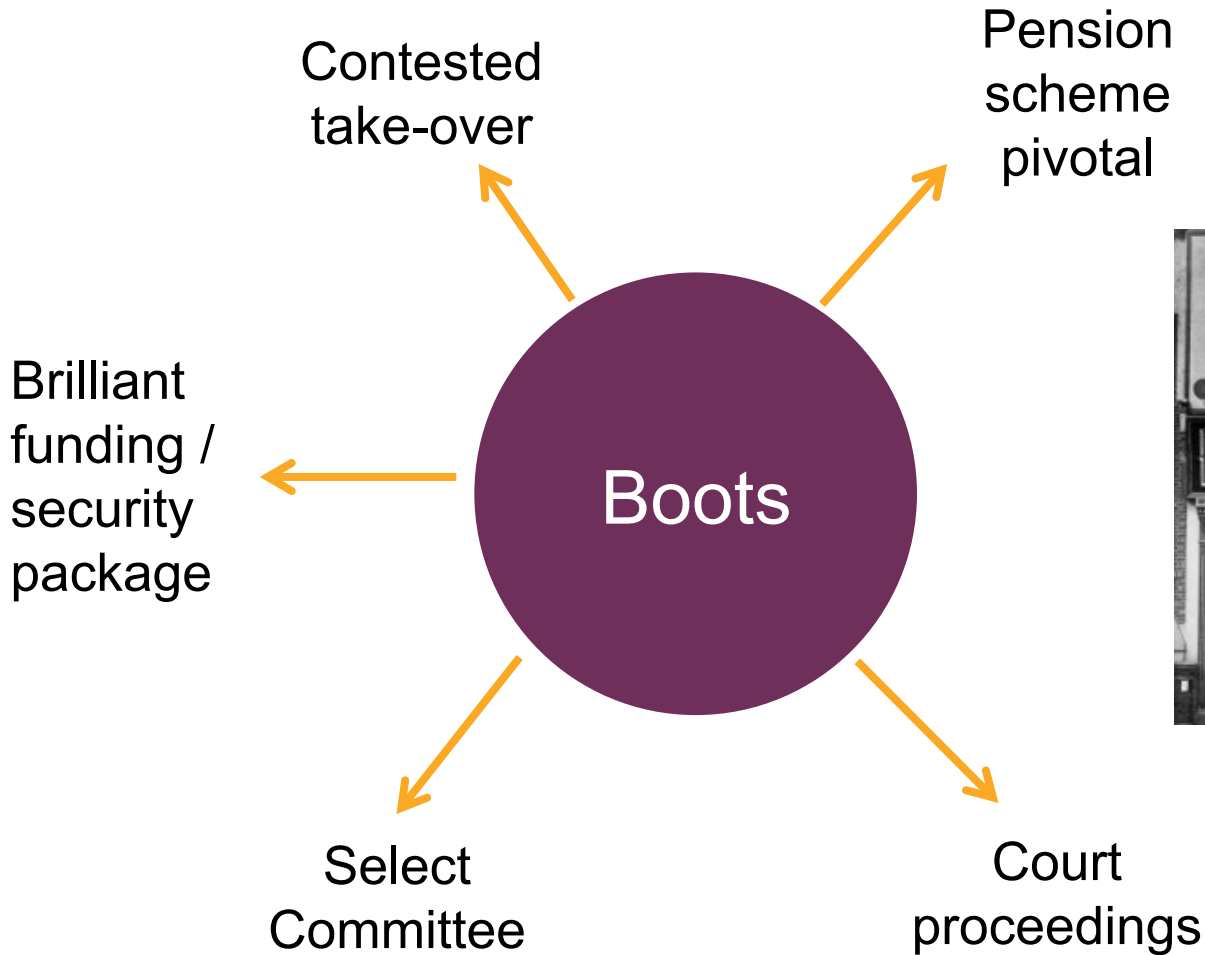
TIME OUT

Asked to give outside
our limit

Surprise!

What is your leverage in a major corporate event?





KODAK



Chapter II
Bankruptcy

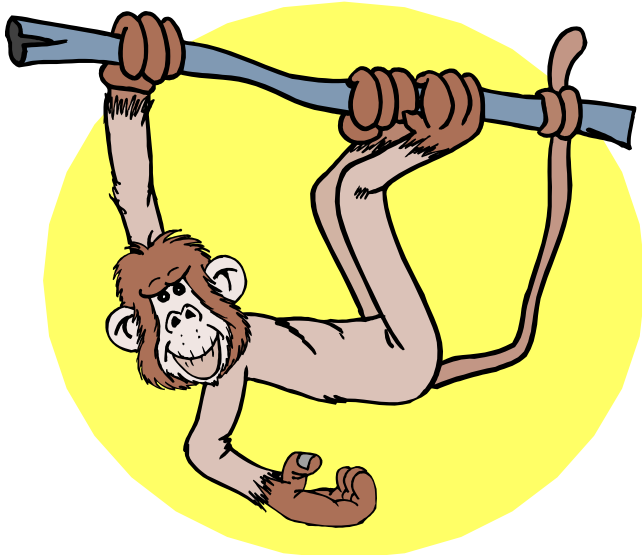
Pension
Scheme
biggest
worldwide
creditor - \$1.8bn

Agreed to
purchase two
businesses for
£210m

Pension scheme
now running
two global
businesses



Watch out!



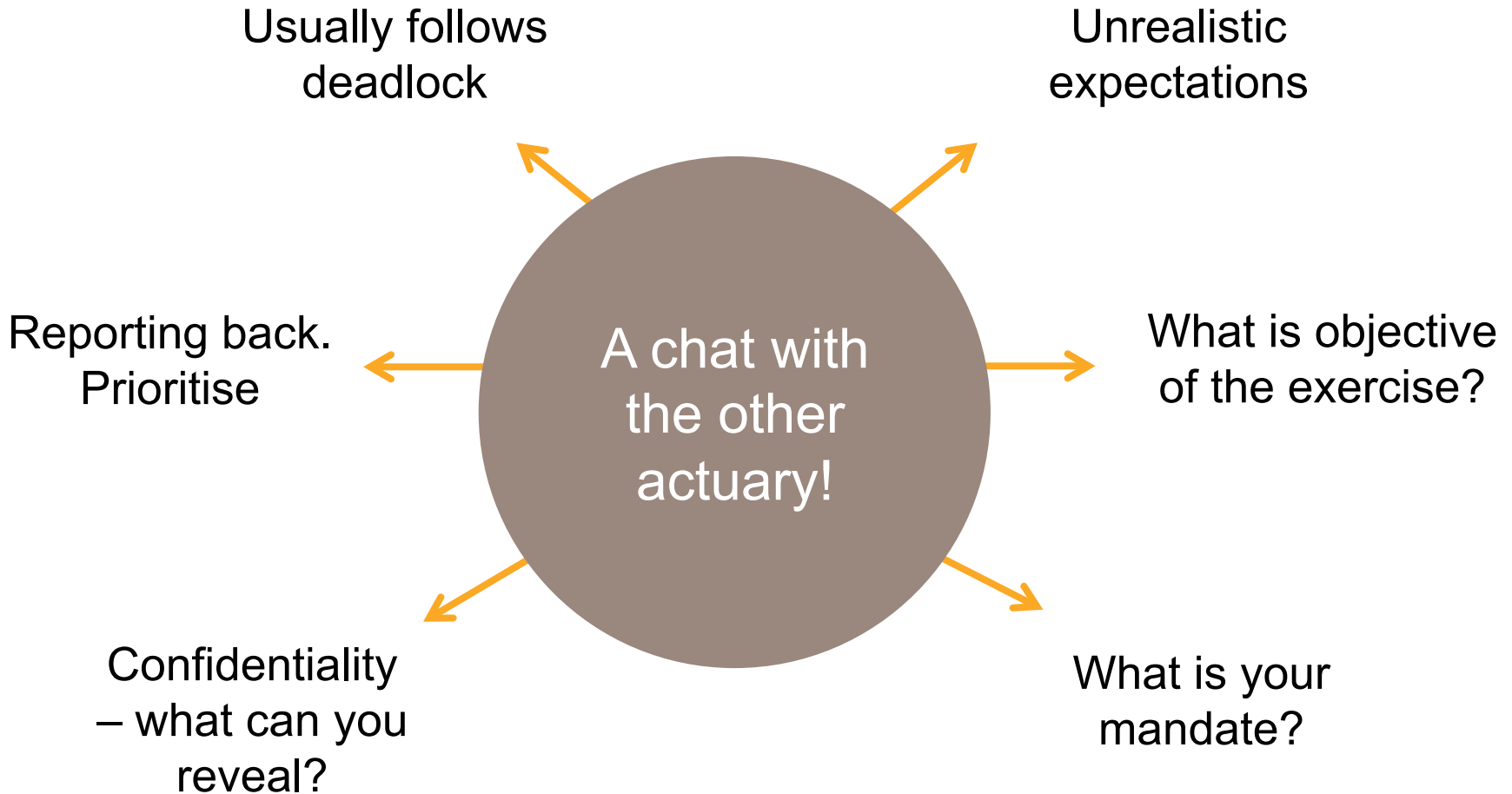
THE MONKEY



THE SETTING



“JUST ONE MORE THING”



Step 3 : Dealing with deadlock

- Getting past the impasse

Dealing
with
deadlocks

- Strip out the emotion. Issues not people
- Put point aside. Return to it
- Restate issue. Do not fill gap
- Vary package. Remember conditionality
- Adjournment
- Or walk away. Don't be pressured by deadline

KEY DO'S AND DON'T'S

Do

Ask questions
Summarise
Listen
Build on common ground
Emphasise agreement
Build on their ideas
Describe your feelings
Be concise
Use clear, simple language
Be firm

Don't

Talk too much
Dilute arguments
Interrupt or fill gaps
Point score
Emphasise disagreement
Make numerous counter-proposals
Use irritating or provocative language
Be long-winded
Use long words / jargon
Be aggressive

TWO KEY TIPS

Strip out the emotion

Silence is golden