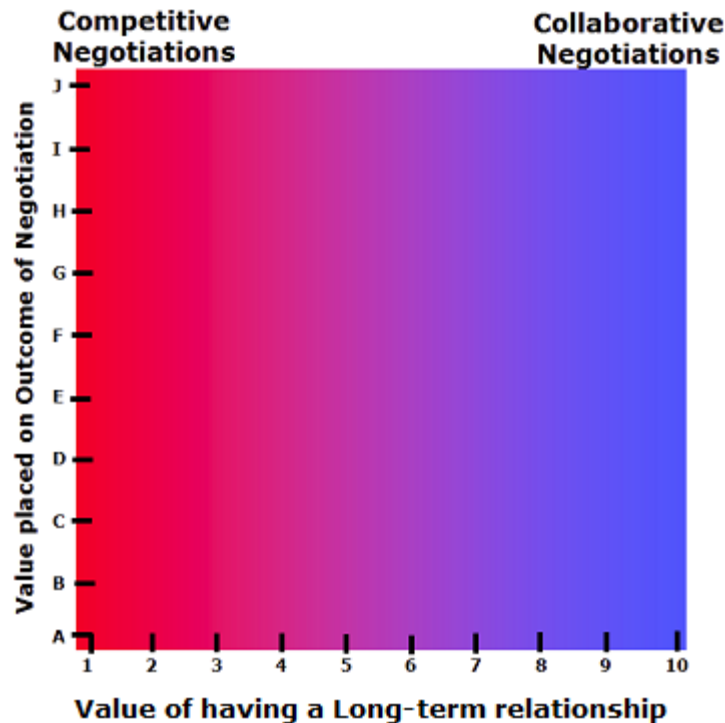


Chapter 6: Competitive vs. Collaborative Negotiations

Every Negotiation will fall somewhere on this scale



There are times that a more competitive style negotiation would be appropriate and there are times when a more collaborative negotiation would be appropriate. It also becomes important to know that many negotiations combine both elements. Two variables; however, will determine which is the predominate style used.

The value a person places on the *outcome* of the negotiation is charted on the Y axis. Higher value outcomes will drive either more intense competitive negotiations or more committed collaborative negotiations.

The value placed on having a long-term relationship is charted along the X axis. The less value placed on the relationship will drive the

negotiation into the competitive arena and the more value placed on the relationship will drive the negotiation into the collaborative arena.

You Win/They Lose Negotiations

Very often, scenarios that have both low values in outcome and low values in relationship will end with a “you win/they lose” outcome.

Assume you are hungry for pizza. You are in an unfamiliar part of town and see a sign hanging over the door to a small pizza restaurant. The sign clearly says, “World’s Worst Pizza”. As you walk toward the entrance to the restaurant you see a small bicycle near the door. A red wooden box sits on top of the front fender with a sign that says, “Pizza Delivery.” As you are contemplating how long it would take for a delivery, a man walks out the front door with a pizza in his hand. The pizza is odd shaped, appears burned on one side and seems sparse on cheese and toppings.

In this scenario, what value would you place on the outcome of buying pizza from this restaurant? What value would you place on a long-term relationship with the pizza restaurant?

Both values would be low. As a matter of fact, you, like most people, would walk away from the restaurant. There are a lot of pizza joints in the world. Why would you give them your business? Why would you negotiate anything with them? If you walk away, you win/they lose.

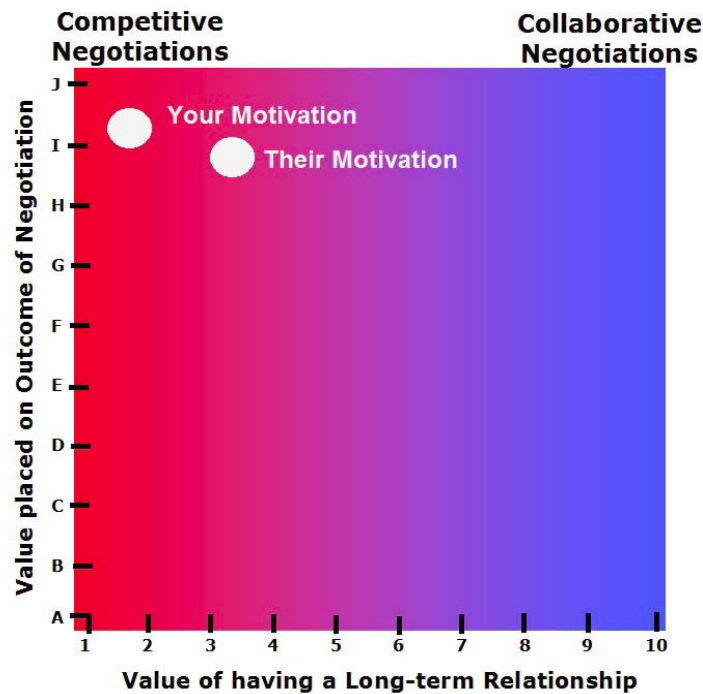


You Win/They Lose, They Win/You Lose or Both Lose Negotiations

Very often, scenarios that have a high value in outcome and a low value in relationship will end with a “you win/they lose” outcome or a “they win/you lose” outcome.

Assume you are in the market to buy a new car. Obviously, the value placed on the outcome of the negotiation is greater than the outcome placed on the pizza scenario. Your potential investment could be in the ten’s of thousands of dollars. The outcome, placed on a long term relationship with the car dealership, may not rate very high. We can also assume that the car dealership is placing a high value on the outcome of the negotiation. However, they may be placing a slightly higher value on the relationship than you because they want repeat business.

Clearly, this negotiation will become competitive and will lead to three possible and/or predictable outcomes. The car dealership might win and you might lose. You might win and the car dealership might lose. The third possibility might be that you stomp out the door after three hours of negotiating because you do not trust where the deal is headed – They lose/you lose.



You Win/They Win Negotiations

Very often, scenarios that have a high value placed on the outcome and a high value placed on the relationship will end with a “you win/they win” outcome. These types of negotiations fall into the collaborative arena, are goal based, understanding oriented, people motivated with a long-term interest.

Assume your company uses a particular printing company for all their printing needs. Your company is one of their largest clients. Your opinion of the printing company has always been positive. You would rank them high in customer service, printing quality, overall satisfaction, competitive pricing and on-time delivery.

This morning, you realized that your company must have a large quantity of books printed, bound and delivered to a client within five days. You know that your request is going to place a hardship on the printing company. You have a crisis and you are asking your crisis to become their problem.

What value would you place on the outcome? What value would you place on the relationship? What value would the printing company place on the value of the outcome and the value of the relationship?



It would appear that both parties would place very high value on the outcome. For your company, the outcome is not negotiable. The books must be delivered. If your favorite printing company can't do the job, you will have to find one that can. The printing company understands your dilemma but would not place as high of a value on the outcome as you. You value the relationship and want to give this trusted company your business. They value the relationship and do not want you to take the order somewhere else. The printing company probably has a deeper vested interest in the value of the relationship than does your company.

If a collaborative approach to this negotiation is successful, both parties win. You may end up paying more for the "rush order" but you would sacrifice that cost for the sake of having the books delivered. On the other hand, the printing company hates doing these types of rush orders but would probably accommodate your company for the sake of maintaining the relationship.

You Win Bigger/They Win Bigger Negotiations

Joint Venture Agreements, Area of Mutual Interest Agreements and Farmout Agreements are types of contracts used frequently in the oil and gas industry. They form a type of partnering that can last for years. Very often, large and expensive projects can not be accomplished without this type of agreement in place. Because these projects are dealing with very large sums of investment money and even greater sums of potential revenue, the only sensible negotiating approach would be a collaborative approach. Each party is placing the highest possible value on the outcome and the highest possible value on the relationship. When this is done effectively, the outcome will be "you win bigger/they win bigger". Again, negotiating these types of agreements would be goal based, understanding oriented, people motivated with a long-term interest.

Assume your company wants to develop a several thousand acre "wildcat" prospect. The geology looks great and if the project is successful wells could produce for thirty years, netting a hundred million dollars to your company. However, the risks are also very high and you need a partner to help develop the area.

When negotiating the agreement, what value would each company place on the outcome? What value would each place on the relationship? In a case like this, the finished negotiated product might equate to you win bigger/they win bigger!

