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AN OTS MANAGEMENT WHITE PAPER

THE INP NEGOTIATING MODEL

Negotiating interests not positions



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Negotiating interests not positions

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The information in this white paper does not constitute “advice”. The reader who wishes to follow the information contained in this white paper will need to obtain his or her own advice on how the information may apply to their specific circumstances.



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INTRODUCTION—INTEREST-BASED NEGOTIATIONS

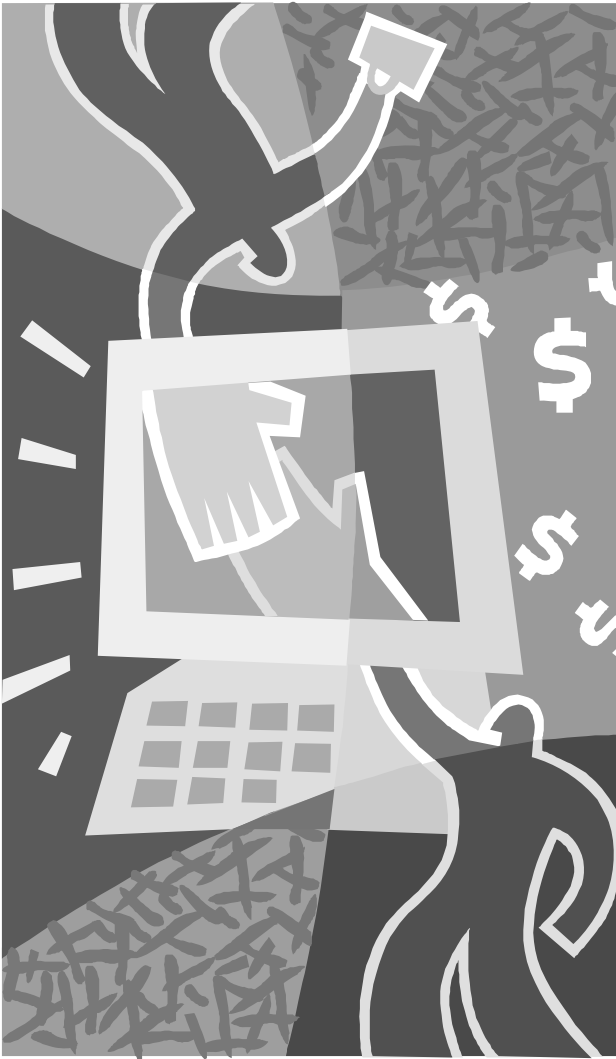
Life is far easier when people have the sense to see things our way. In the real world, however, capital planning, corporate borrowing, annual budgeting, and priority setting all tend to require that people from different organisations - or even our own people with a different point of view - find satisfactory means to reach agreement.

For many decision-makers, annual obligations like business plan reviews and budget approvals tend to coincide with increased levels of stress and anxiety. We are well-prepared for the substance to be decided; it's the process that is so unsettling. It can be troublesome if the short-term objective of minimizing conflict gets in the way of developing and achieving long-range goals. Interest-based negotiation techniques can help us focus our energy on the process and guide that process towards yielding a satisfactory result.

Most negotiations are repeat performances. We tend to deal with the same bankers, suppliers, clients, directors, managers, etc., for a long time. It is important to recognise and give proper weight to the context in which a negotiation is taking place; if it is within an on-going relationship, the significance of that relationship must be considered.

The INP (Interests Not Positions) Model of negotiations

- 1. Separate the people from the problem**
- 2. Distinguish between Interests and Positions**
- 3. Consider your BATNA (Best Alternative To a Negotiated Agreement)**
- 4. Silence is Golden**
- 5. Pursue fairness**
- 6. Only one person can get angry at a time**



need the budgetary increase because I am about to launch a new product”).

The INP Model is based around moving away from the position to understand the Interest. Once we know in the above example that they need a budgetary increase because they are to launch a new product, negotiation can be based around discussions such as risk and return and value for money rather than a quantum increase in the budget.

There may be more than one way of skinning a cat.

WHY INTERESTS AND NOT POSITIONS?

Since most negotiations are with the same group of people, it is human nature to characterise that these people represent: they are “greedy” or “helpful”; they “represent the bank” or “they want to win”.

In themselves, these characterisations are not catastrophic in any negotiation, but they do cloak the other person in a “position” which you need to argue against. What happens then is that negotiations follow a path of being “against” a position. For example, in negotiating against a “greedy” person the preparation is based around what you can keep away from them. Where the other side “wants to win” negotiations develop a competitive streak.

Clearly, while someone may have a position (eg “I must have a budgetary increase”) they also have an interest behind that position (“I



THE 6 STEP INP MODEL OF NEGOTIATION

We can take positive steps to prepare for the decision-making process and we can monitor our own behaviour - and that of other participants -- as the process goes forward. By following a few common sense rules we can reduce conflict and turn it into cooperation and reach solutions that really work for all the participants.

1. Separate the people from the problem.

Religion teaches us to hate the sin not the sinner. If we view the problem as that which needs to be resolved rather than viewing someone holding a contrary viewpoint as a person to be defeated, the odds of a successful collaboration increase.

One specific technique that can work is to change the shape of the table rather than sitting opposite your 'opponents'. Arrange the seating so that all the parties are sitting together facing a flip chart or blackboard where the problem is presented. That makes it clear that all the participants are facing the problem together, that instead of it being 'us' against 'them', it is a case of 'all of us' against 'it'.

2. Distinguish between interests and positions.

The classic story to illustrate this describes two sisters fighting over the only orange in the family larder. Each sister must have the entire orange for herself, any less is impossible. A wise parent asks each of the girls (in private) why she wants the orange. One explains she wants to drink the

juice; the other wants to use the rind to cook a pudding.

What each sister wants is her *position*, why she wants it is her *interest*. In this case, the simple solution is to give the cook the rind after the juice has been squeezed for the thirsty sister - thus meeting the interests of both.

When preparing for a negotiation, or after it has begun, don't just ask "What do they want?" It is also important to ask, "Why do they want it?"

It is equally important - and often more difficult - to ask the same questions about your own views. Many successful negotiators find they will be more successful if they focus on understanding their interests as they enter discussions.

If they stop themselves from starting out with a perfect package, the ideas of others may actually improve their final result.

Negotiators who arrive with a complete package can create real problems. Modifications to their ideas might be taken personally, they may be stubborn, and reaching a satisfactory resolution is made more difficult.

3. Consider your BATNA (Best Alternative To a Negotiated Agreement).

If you do not reach an agreement with the other, does that really make things worse for you?

If you are negotiating to sell your car and receive an offer \$1,000 under your asking price, what is your BATNA? You can refuse to sell it and wait for another offer; you can sell it to the next highest bidder who has agreed you can keep the CD Player from it. The answer depends on *your* interests and why you wanted to sell the car in the first place. If your interest is to sell the car to pay off your loan, then you have no use of the CD Player and it may be your BATNA to accept an offer \$1,000 under the asking price.

There's an old American country & western song about playing poker that summarizes the concept of BATNA: "You have to know when to hold and know when to fold." If you know and accept your BATNA, you know when you can simply turn your back on the negotiations. But it is important not to ignore the other party's BATNA. The relative strength of each party's BATNA will determine the balance of power

each can exercise.

4. Silence is golden.

This is true for two reasons: If one party is highly opinionated or emotional, if their approach is threatening or extremely demanding, keeping quiet after they finish speaking can be quite unsettling to them. It is like kung fu; you allow them to be tripped up by their own forcefulness.

Most people are troubled by silence in the midst of heated discussion. Sometimes silence is viewed as disapproval -- but since no specific disapproval has been voiced, it cannot be treated as an attack. It has happened on many occasions that, when met with silence, people have modified their previous statements to make them more palatable.

Silence is an important element in the crucial tool called Active Listening. The job of a good negotiator is to listen to and understand what others are saying. After all, you can't make an intelligent response to an opinion you do not understand. The discipline of Active Listening requires that you focus on what another person is saying; don't spend your time shaping a stinging response that will put them in their place, no matter how witty and tempting!

Active Listening has some interesting consequences: The listener may actually be able to get a clearer picture of the other party's ideas. And when the listener's response shows just how good a job he or she has done listening, it can shock the other party: "Good grief, they actually paid attention to me!"

One other terrific result of Active Listening is that the discipline of focusing on other opinions can also give the listener the chance to reflect on the process and strategy. Stepping aside and taking a dispassionate view of the goings-on can make one a far more effective negotiator.

5. Pursue Fairness.

If all the participants view the process as fair, they are more likely to take it seriously and "buy into" its result. Moreover, the focus on fairness can have an important impact on the substantive result. If the parties to a negotiation can agree on standards against which elements of the agreement can be measured, it can give each a face-saving reason for agreeing. Referral to the Base Rate of the other major lending

institutions, an industry standard of marketability, or other common measures, can validate the agreement the parties reach.

To be considered successful, an agreement must be durable. Parties who walk away from the table grumbling may regret their commitment and only honour it grudgingly. If they end up looking for excuses to get out from under an unwanted result, the gains achieved by the other side may prove to be short-term indeed.

6. Only one person can get angry at a time.

This is yet another means to help individuals keep a cool head and pay attention to the process and the strategy, as well as the substance of the negotiation. If it's not your "turn" to be angry, the exercise of restraint can be turned into a positive opportunity to observe what is going on with a clear eye. No less important, yelling at each other is not negotiation; it is confrontation. In those situations there may possibly be a 'winner'; but it is even more likely there will be a 'loser'.

In times past, when two property owners had a disagreement, they would hire knights and wage war to reach a conclusion. Then somebody invented lawyers, and the problem-solving process became one of waging law. Our society has reached a level of sophistication in which we recognize that the costs of waging war - or waging law - are terribly high. With the use of good negotiation skills, we have the capacity to reach conclusions in a more satisfactory manner: we can wage PEACE.

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