



NEGOTIATING  
IN UNCERTAIN TIMES

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Events unfolding as a result of Coronavirus and the COVID-19 illness, yet again make our global future very uncertain. Negotiators have to deal with these uncertainties. This eBook analyses the issue of negotiating uncertainty and offers some ideas for best practice.

## The Thud in the Stomach

On the afternoon of September 11th 2001 I happened to be in my local electrical superstore. The back wall of the shop was made up of TV sets and that day all were tuned to SKY News and the unfolding story of the Twin Towers. Once I realised I was watching live TV I felt a thud in my stomach. This was a game changer.

I'm old enough to have suffered the thud of uncertainty a number of times: the Cuban missile crisis, JFK's assassination, the Chernobyl disaster, the Brexit referendum vote and the economic meltdowns of the 80s, 90s and 2000s. In every case my gut reaction was that the world had changed forever, but in fact life soon returned to more or less normality. We cope with change, adapt and move on. Until the next reality shift happens.

Each time the certainty of the old reality changes into the uncertainty of the new reality, and we quickly adjust to the new reality which in turn establishes a new certainty. So, if the uncertainty that follows catastrophic events is actually commonplace and temporary, why focus on Negotiating in Uncertain Times now?

Over the last 12 months we have **endured unprecedented disruption**: the paralysis of UK parliamentary business as a result of Brexit, the emergence of the seriously effective anti-establishment protest groups such as Extinction Rebellion and the Gilets Jaunes, climate change made real by the Australian fires, the resurgence of Putin's Russia as a dominant player in the Middle East, and now the sweeping and apparently unstoppable force of the coronavirus and the COVID-19 illness it causes. This sequence of so many catastrophic events has taken us beyond the usual cycle of uncertainty and into a new age of hyperuncertainty, a frozen state of mind that prevents or hinders normative behaviour. How then should negotiators deal with this new and threatening status quo?

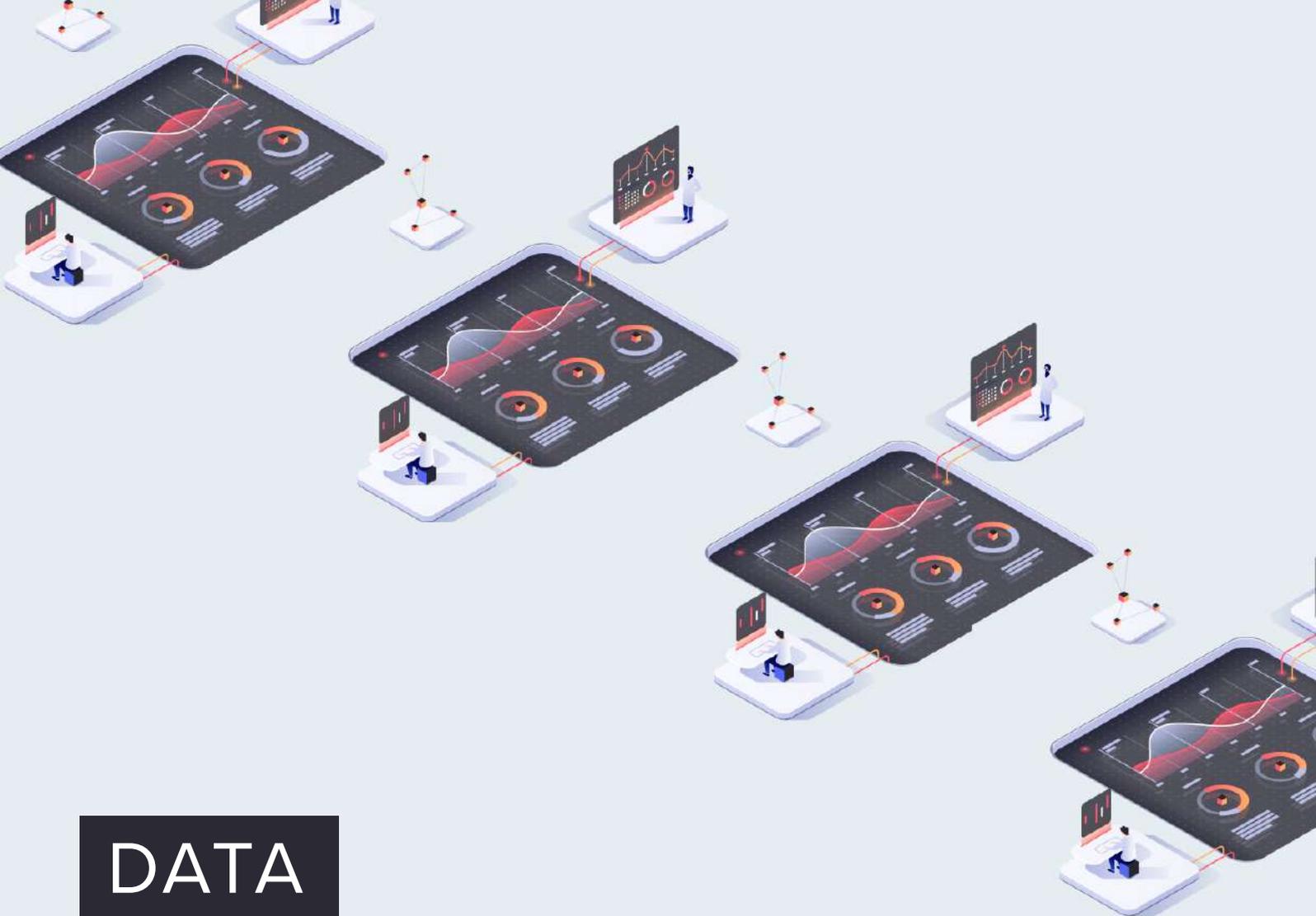
## The Threat of Hyperuncertainty

The result of hyperuncertainty is that we no longer know how to plan or behave when we are negotiating, because the old rules don't work anymore.

Uncertainty has fractured the old paradigm across six key areas:

- Data
- Creativity
- Trust
- Confidence
- Disruption
- Implementation

This eBook provides some strategic, tactical and skill-based ideas on how to negotiate more successfully in these hyperuncertain times.



# DATA

# AND UNCERTAINTY

In a world of certainty, prices, seasonal volumes, pay rates, inflation and GDP all change in ways we expect because that is how they changed in the past. Modelling the future based on historical data produces reasonably accurate forecasts. However, in uncertain times data from the past becomes an unreliable predictor. Expert predictions of election polls and economic reactions to political events have proved to be wrong, time and again. As a result, macrolevel uncertainty erodes our grasp of what is happening and makes us more prone to mind-change and hesitation. Our ability to anticipate is degraded and as the outcomes of many commercial negotiations are driven by minute differences in data. In uncertain times, data becomes less dependable, more distrusted and leads to wilder speculation about the future, more spurious assertions and even deception. In the worst cases, lack of confidence causes negotiators to abandon deals because the risk of completion is too high. When uncertain outcomes multiply into hyperuncertainty, data becomes distrusted and meaningless.



## Strategy Insight: **Share the Pain**

At a strategic level, any concerns you have about unreliable data will probably be shared by your negotiating partners. Be more productive by adopting a cooperative approach. Mutual agreement that data is unreliable will shift the tone of your negotiation. For example, a recent report foresees that all new cars will be electric by 2025. If you walked into a car showroom tomorrow and tried to use such a prediction to land a big discount on a petrol or diesel car because in 5 years it will be worth next to nothing you would expect a lukewarm response. Despite the supporting data, the dealer will have a different view. So, rather than use the prediction to justify a discount, a better strategy might be to introduce the topic of the growth of electric cars, allow the conversation to focus on what the future might look like and let the issue gently become an unspoken element in the final deal. It may or may not work, but it is worth a try.



## Top Tactic: **Trade Opinions**

At a tactical level, remember that less useful data leads to more reliance on opinion. This often results in fruitless argument between the parties about whose opinion is more valid. Eventually control is retained by the more powerful party. The most effective technique for handling differing opinions is to trade them off. In simple terms 'I will agree to do X if your opinion about a future outcome proves to be right, but only if you agree to do Y if my opinion proves to be right.'



## Skill Tip: **Repeat, Repeat, Repeat**

What skills can negotiators employ when data becomes unreliable? In the run-up to the 2016 US election much of Donald Trump's rhetoric was founded on data that was subjective, questionable, misleading and incorrect or no data at all. He blamed illegal Mexican immigrants for murder and rape, linked Hilary Clinton's private email to US foreign policy mistakes and exaggerated the likelihood of terror attacks from Muslim extremists. In each case he made the claims stick by avoiding reference to any supporting data and relying on a subjective assertion, 'Believe me, I will...' repeated again and again. We all believed this simplistic technique would quickly be exposed for what it was, but 4 years later he still wields it with remarkable effect.



# CONFIDENCE

# AND UNCERTAINTY

New technology should produce more certainty, right? Because the information it provides is more accurate and more specific. Weather predictions are much more useful than they were 20 years ago. But there are cases where technology amplifies uncertainty. One example is Waze, a satnav app which attempts to improve the accuracy of traffic information by incorporating real time user data. The apparent increase in certainty actually destroys the algorithm on which it is based. For example, as users report slow traffic on route A so Waze redirects users to route B, which slows the route B traffic. The algorithm then tells users to stick with route A, even though it is currently slower. Users don't know whether they have been told the faster or slower route. This increases the sense of uncertainty and diminishes confidence in the technology. Negotiating deals in which the parameters are uncertain is a confidence-sapping experience. Sometimes negotiators have so little confidence that they prefer not to do a deal at all.



## Strategy Insight: Plan with Confidence

At a strategic level, it is vital you understand any trends in the confidence levels of both parties. You can then employ game theories to plan a course of action based on your own confidence and the effect that uncertain data will have on the confidence of your negotiating partners. If, in the journey from A to B, one route is inherently more popular despite the traffic conditions (because it is more direct, shorter or a better road) then expect that for most drivers who normally use that route their confidence to try the other route will be low, even if Waze tells them that the alternative is currently faster. So, when Waze tells you traffic is heavy on both routes, you can be reasonably confident that the less popular route will be the better bet. We all have experience this when purchasing goods on Amazon. Even though they are often much cheaper our confidence in resellers who are cheap (but take a long time to deliver) is much lower than our confidence in significantly more expensive identical products fulfilled by Amazon and delivered the following day. Even more so when the uncertainty level is high.



## Top Tactic: Be a First-Proposer

Once you have estimated each party's reading of the uncertainty level, the best tactic is to take proactive control of the negotiation. Proposals influence negotiations so, in general, it is better to make a proposal rather than invite one. Being a first-mover shows you have strong confidence in your view of the future, otherwise you would have waited before committing. So, this is a power play in itself, potentially undermining the confidence of your negotiating partner. However, relative confidence levels might have an impact on this advice. A friend of mine paid top dollar for his family home because he didn't have the confidence to stare out the seller and his estate agent, both of whom told credible stories of other purchasers waiting to pounce.



## Skill Tip: Tell Confident Tales

Generally, when confidence is low due to uncertainty, a useful skill of the competent negotiator is persuasion. Our capability to weave a coherent and confident narrative of the future, based on our knowledge of the past, our plausible vision of the future and our ability to communicate via anecdotes allays the worries on the other side of the negotiating table. Persuasion is often about being able to tell a good story. It is about clarity, brevity, logic, realism and humour. It is a skill that requires practice. To find a good storyteller, look for someone who tells jokes well. The skills are the same.



# TIME

# AND UNCERTAINTY

In unstable situations, time is an important factor that multiplies uncertainty. Is the scenario going to become more unbalanced over time? Will it get worse before it gets better? How long will it last? Will it be short and sharp or slow and drawn out? Taking action (agreeing a deal) now might be better than waiting because there may be no opportunity or only a less good opportunity later. Or not! - of course, there is no right answer, but the definition of hyperuncertainty is that when there is a propensity that calamity will beget calamity, acting decisively and early is better because the players have invested in objectives and potential outcomes they have selected for themselves.



## Strategy Insight: **Force the Pace**

Strategically, if you believe that increasing uncertainty is more of a problem to one side than the other, then change the pace to your advantage. It became obvious that for MPs who were viscerally opposed to a ‘no deal’ Brexit the increasing uncertainty that we might fall into that outcome by accident or because there was no other viable proposal was the reason Boris Johnson was able to demand (and get) an early general election.



## Top Tactic: **Be Flexible but Firm**

The tactical keyword here is flexibility, not to be confused with indecisiveness. Too often negotiators draw up objectives, red lines and tactics based at a certain point in time with no account for any changes that could happen during the ensuing negotiations. Proposals considered achievable and reasonable at one moment can become laughable at another, and when the world is moving fast, the interval might be very short. One solution is to draw up guiding principles to which both parties subscribe. Guiding principles are not time-sensitive as they deal with headlines, not specifics. However, they do allow specifics to be interpreted more flexibly. For example, agreeing to the guiding principles of openness and transparency does not reduce the flexibility of interpretation of data in uncertain times, but it does enable the parties to distinguish between honest opinions and spin.



## Skill Tip: **Bend Time**

When flexibility is important, nimble negotiators often use the time-skill known as ‘how long is a day?’ We all know that a day consists of 24 hours, but the reality can be very different. A ‘hotel day’ is typically 20 hours (check in from 3.00pm, check out before 11.00am) whereas a ‘management consultant day’ is usually seven or eight hours. This idea is useful in uncertain times, when adopting a flexible approach could mean the difference between doing or not doing a deal. If your contract deal is in doubt because a year looks too long for the other party, you could redefine the 12 months as the remainder of the calendar year or financial year.



# CREATIVITY

# AND UNCERTAINTY

It might seem counter-intuitive to recommend creativity in uncertain times. After all, creativity is a risky business. Creative ideas are frequently imperfect and failure-prone and changes in the status quo often render them inappropriate. The last thing you need at a time when the future is increasingly unpredictable is to introduce more risk. So, the intuitive behaviour is to play safe and stick with the same old same old. However, rather than resort to the obvious, I would argue the contrary. Share traders often enjoy the biggest profits when stock markets are unstable. Negotiators prepared to take measured risks can make big gains too.



## Strategy Insight: **Work it Together**

From a strategic perspective, work out which problems are most insoluble in an unstable situation and which creative ideas might improve the potential outcomes. Doing this collaboratively binds together you and your negotiating partner with a shared purpose (as in 'us versus the rest of the world').



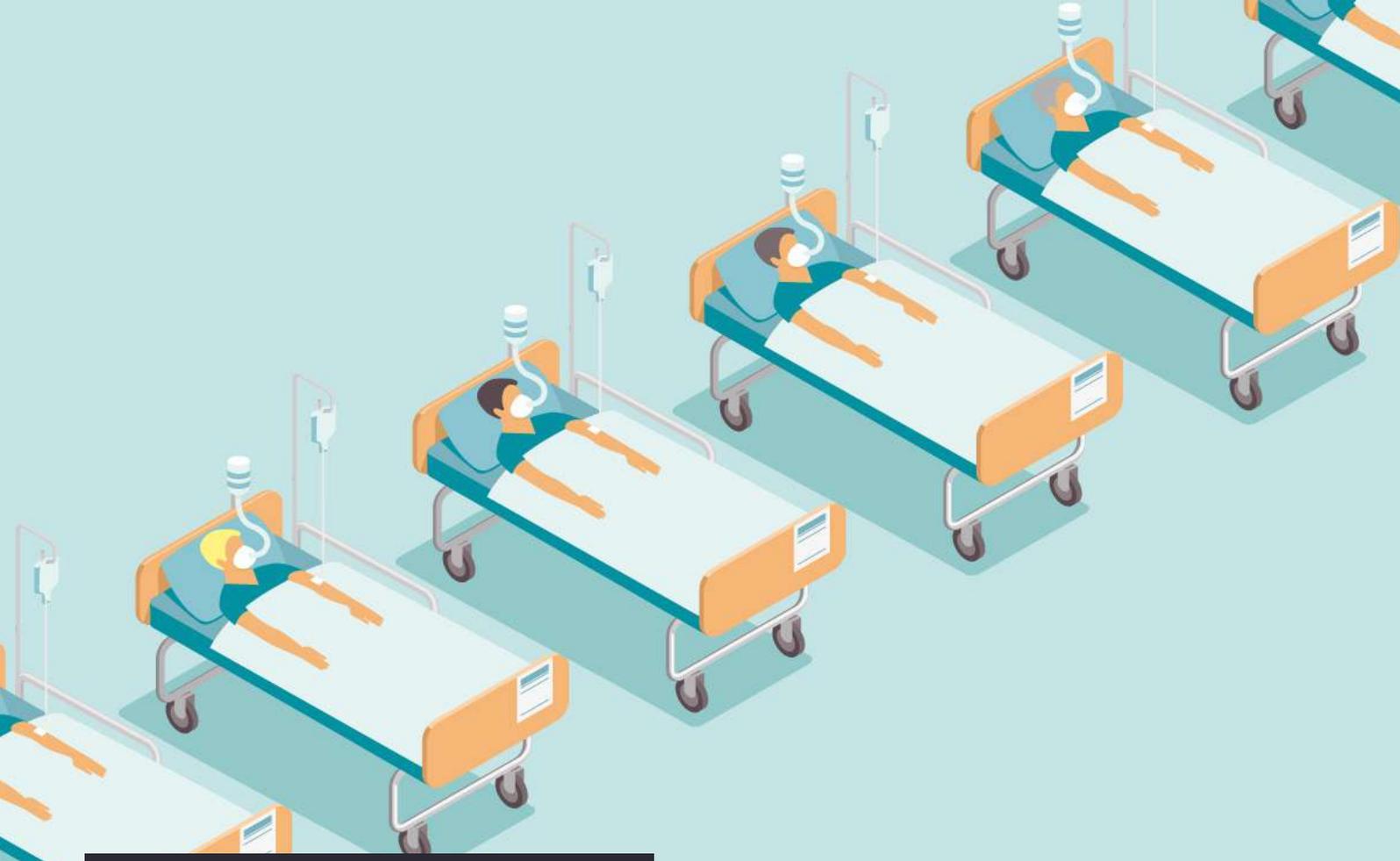
## Top Tactic: **Break the Mould**

One effective tactic is to identify 'creatively different' processes, rather than focus on substance. We all tend to be habitual – we call it being normal. Sellers normally meet in buyers' offices. One party normally dictates the meeting agenda or takes the minutes. Contracts are normally renegotiated for predetermined time periods. As a creative negotiator you can break these rhythms, not to add further uncertainty but to allow both parties to look at situations with fresh eyes. Whilst you might cast doubt on the effectiveness of his 'creativity', Sports Direct boss Mike Ashley's decision to take management meetings out of the 'normal' boardroom and down to the pub and conduct them in an ambiance of alcohol-fuelled mayhem might well have produced the creative ideas that stole a march on their competitors.



## Skill Tip: **Think Against the Box**

A great skill tip for creativity is to think against rather than outside the box. Identify the normal view of a situation and then turn it on its head to find a positive outcome. When so many multinationals imposed travel bans and started to ask employees to work from home as a result of the coronavirus we at Scotwork saw an opportunity to launch a virtual training course which did not require participants to travel, could be attended from home, had all the benefits of a group classroom experience and made best use of the dwell time caused by lower business activity.



# DISRUPTION AND UNCERTAINTY

Catastrophe generates catastrophe, or so it seems. When things start to go wrong, they tend to get worse and worse. We all knew there might be a mid-campaign wobble during Theresa May's 2017 general election efforts. But when her campaign office started to make blunders, first proposing the dementia tax, then refusing to debate on TV, then failing to meet victims of Grenfell Tower, we could see she was jinxed and that her mistakes were likely to snowball. As time went on, what looked like a certain Tory victory became more and more uncertain.



## Strategy Insight: **Keep Options Open**

Negotiators cannot always know where the next body blow will come from. It might be a major supplier that goes under, or devastating downtime from a cyber attack. What you can do is have a generic strategic plan for maintaining your network. Too often procurement and sales policies are dictated by short-term KPIs, reducing spend or increasing volume this year compared to last. This inevitably results in aggressive business deals with the cheapest few and 'good riddance' to the rest. Good negotiators work their network and maintain their contacts. They keep in touch, regularly and frequently. They know that one day the supplier or customer who lost out last time could be oh-so-useful in a future emergency. Maintaining a network means more reliance on people skills and less on electronic substitutes.



## Top Tactic: **Sweat the Small Stuff**

All that chaos might look so overwhelming that it gives you a catatonic reaction. It seems too difficult to do anything remedial whatsoever. At a tactical level the recommended behaviour is to sweat the small stuff. Agree with your negotiating partner what is still intact, what is not contentious and where there are opportunities to move forward. This has the psychological effect of shrinking the enormity of the problem and breaking it down into manageable, treatable elements. To see this in practice, look at how rescue services deal with catastrophic events such as earthquakes and tsunamis.



## Skill Tip: **Be Curiouser and Curiouser**

In the wake of a catastrophe the skilled negotiator should up their level of curiosity. Instead of hypothesising about what caused the uncertainty, and when or how it will end work with your negotiating partners to identify where there are opportunities to find a way through the chaos. Devise a plan of action for managing the unexpected calamity, a process which is clearly understood by employees, the market, and all negotiating partners.



# TRUST

# AND UNCERTAINTY

When the going gets tough, and the outlook is more of the same, there is a tendency for people to become selfish. Panic buying in the supermarket is the obvious example. For negotiators, dealing with partners you can trust (and recognising those you can't) becomes a vital piece of the jigsaw. In uncertain times past performance is not always an indicator of future performance. In the movie *Margin Call*, a thinly disguised fictional account of the demise of Lehman Brothers in 2008, the bank is on the verge of imploding under the weight of its subprime assets and offloads them onto its long-standing clients. Despite their instinctive misgivings, the clients buy the toxic assets because they trust the bank and its senior employees. In fact, the bank is ripping them off and as a result they all go down.



## Strategy Insight: **Assume Nothing - Test Everything**

So, trust can never be taken for granted. How should negotiators plan for this? The key strategic behaviour revolves around assumption based on history. Ban 'assumption' from your preparation vocabulary. The right strategic choice in times of uncertainty is NOT to assume that the past is an indicator of the future, that pleasantness is a signal of honesty, that enthusiasm is the same as commitment, that the facts your negotiating partners put on the table are true. They might be, but they need testing, sometimes over and over again.



## Top Tactic: **Think GTWTWOYT**

One tactic which is a useful determinant of trust is 'GTWTWOYT' ('Give Them What They Want On Your Terms'). Negotiators who reject ideas and proposals because they don't address a key need can be flushed out if your subsequent proposals address that key need, at the cost of concessions elsewhere. If they continue to reject, something doesn't smell too good. So, whenever they say 'no', or 'not good enough', ask them why, and then address their stated problem. You will soon find out if they are being truthful.



## Skill Tip: **Trust in the Long Run**

Finally, there is the issue of how others perceive your trustworthiness. In short-term or one-off deals developing or maintaining trust is a moral virtue but not a commercial one. In long-term relationships the collaborative trust-building approach is always recommended, but think again about the Lehman Brothers example. There is no doubt that, had Lehman survived, their previously loyal client base would have responded daggers drawn, and Lehman knew that when it embarked on its plan to sell them rubbish. Unfortunately, the imperative of the bank's acute problem subsumed everything else, including good sense. The key skill is sincerity. Once you have learned how to fake that, you are home and dry.



# IMPLEMENTATION AND UNCERTAINTY

The trouble with hyperuncertainty is it just keeps happening. What does our near future hold? Pundits suggest the economy is likely to dip sharply in the next 24 months as a result of coronavirus. But they said that after Brexit, and it hasn't. Inflation is set to rise because of scarcity and supply chain breakdown. But it might not. Donald Trump might get a further 4 years in the White House and Boris Johnson might do a trade deal with the EU by the end of the year. Or not. The point about hyperuncertainty is not that we cannot predict the future, but that our normal methods of prediction and our rates of successful prediction become unstable.



## Strategy Insight: **Catastrophe-Proof**

What does this do to the negotiator's ability to execute and implement deals? From a strategic perspective you should incorporate an option to revise a contract if it is rendered obsolete by catastrophic circumstances. You might think this is cowardly behaviour, opportunistic if external events turn against you, but weak if they turn against your negotiating partner. The Japanese belief that a deal which by happenstance works against the interests of one of the negotiating parties is ultimately a bad deal because it leaves one of the parties sore and the other feeling guilty is preferable. So, in this circumstance they would rather reset the deal. That is not the same as misreading a situation or making a bad call based on available data. In that case both parties believe in 'caveat emptor'!



## Top Tactic: **Keep your Powder Dry**

The mechanism of how to implement and whether to include the option to revise a contract is determined by the final agreement document. This must be specific about the deal but generic regarding the possible causes of revision. The one thing we should all embrace is that the next cause of uncertainty is uncertain, so trying to second-guess it is futile. Tactically it is important to ensure that no deal is publicised until the detail is agreed. Premature announcements can significantly change the power balance. In the late 1970s the UK government announced a £150m trade deal with Poland to build ships. This was great news in an economic climate dogged by pay freezes, industrial action, falling GDP and low confidence. Great, except that the deal had not yet been signed off by the Poles, who promptly demanded an extra raft of concessions.



## Skill Tip: **Shake on it**

At this time, the most useful skill is the skill of closing. This is not just a mechanical process. It requires a mix of prescience, empathy and forcefulness. Uncertainty breeds indecision, and the rainmaker might need to push that bit harder to make the rain fall. There are various closing techniques which are useful here, but the favourite is to close your laptop, look them in the eye and say, 'let's do it'.

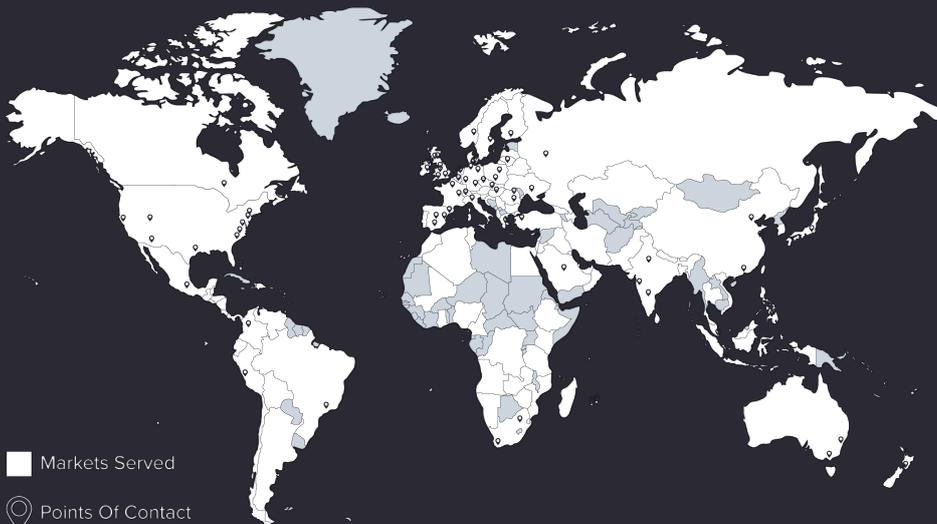
## In Summary

This eBook describes some of the effects of hyperuncertainty, and the methods a skilled negotiator might use to minimise or neutralise them. In the end, these ideas are no different from those applied in other negotiating circumstances, but they have been selected and refined to deal specifically with the problems created by hyperuncertainty. I hope they prove useful and help to make your future negotiations more successful. I wish you good negotiating.

Stephen White

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