



Trust-Based [Negotiation](#)

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Most firms want to be trusted advisors. They also want to negotiate better customer deals. In their hearts, they feel those goals are in conflict. So they try not to think about it—and end up negotiating poor deals and destroying trust in the process. Some bargain.

It doesn't have to be that way. Customer negotiation based on trust not only creates superior results, but increases trust in the process.

WHAT'S WRONG WITH NEGOTIATIONS: THE CPT MODEL

Do these comments sound familiar? “We’ve got to get tougher. Being trusted is one thing, but you’ve got to make money. We’re leaving too much on the table. They’re forcing us to deal with tough negotiators. We don’t realize our power, and don’t use it. Our people need to be more hard-nosed. This is business.”

But in beefing up their negotiation skills, many firms end up using an approach that I call CPT. CPT negotiation is an approach that is Competitive, Power-based, and Transactional. It doesn't add to trust, and it isn't even very effective as a negotiating approach in the long run.



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Some approaches to negotiation give lip service to “win-win” and “growing the pie.” They know they are not supposed to focus solely on the zero-sum component of any negotiation. Yet the flavor of CPT is readily apparent in most firms’ approaches. Consider some recommendations that are commonly offered in negotiations programs:

- Always open high
 - Keep your cards close—don’t reveal your true position
 - Make small concessions, not big ones—and don’t be first
 - If you’re weak, negate the other’s power; if strong, use it
- Have a figure in mind below which you’ll walk
- Don’t jump at the first offer

Negotiation happens all the time in marriage.

These kinds of recommendations assume that the seller and the buyer are somehow in basic, permanent competition, and that the object is to win; that the game is about gaining, conserving and deploying power; and that the final transaction is the end—literally—of the negotiation.

Imagine applying that model to other relationships in our lives...

NEGOTIATION IN OTHER RELATIONSHIP MODELS

Consider another relationship metaphor; that of a successful marriage. Negotiation happens all the time in marriage. Couples are constantly negotiating around key issues like money, time, division of labor, deferred gratification, and the goals of marriage itself.

Imagine a couple negotiating who will do the dishes. Using the CPT model, each thinks, “Hmmm, I’ve got to win this one. I’ll start with high demands and not reveal my true position. I can bluff, and I can hold out. I’ll make him/her give up the first concession. And if I don’t get X, I’ll walk.”

Given the state of marriage today, this may not be unrealistic; but it is at least recognizable as a recipe for a dysfunctional relationship.

How do partners in a healthy relationship solve the problem? By doing three things, consistently:

1. Focusing on the marriage, not the dishes
2. Being transparent with each other about their feelings
3. Focusing on the long term good of both partners



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Such a couple will recognize that the outcome of the dishes conversation is itself trivial; that it is one of many transactions which will happen in the life of the relationship; and that in the long run, this and other transactional conversations must contribute to the health of the individuals to sustain the relationship itself.

Trust-based negotiation works with the same generalized three principles as a successful marriage.

Does this simple model have relevance for sellers and buyers? Absolutely—in fact it’s a must, if the seller is to operate from trust.

TRUST-BASED NEGOTIATION: A BETTER WAY

Trust-based negotiation works with the same generalized three principles as a successful marriage. This isn’t surprising, if one considers buyer-seller relationships as really being about relationships. Those principles are:

1. It’s about the relationship, not the transaction
2. Seek all information, and lead by sharing all your own

3. Generalize this transaction multiple times into the future.

Negotiating by these principles fundamentally changes the rules. If you focus on the relationship instead of the transaction, you have a very large set of options to achieve fairness. You find it easier to agree to fairness over time than fairness in one instance. If you know that someone will only tell you the truth, and is willing to be examined about any aspect of it, then suddenly you have reason to trust them. If you trust them, then you can tell them truth as well. If you project the transaction multiple times into the future, then you have an eminently practical measure of fairness by which to operate.

Here are a few implications of these principles for buyer-seller negotiations:

- agree to agree that if there is a fair solution, it’ll be clear to each party
- be willing to share 100% of your economic model—and all information
- have a principle-based rationale for when you do/don’t give discounts
- project this transaction x100 and assess the impact on each party



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- never lie, withhold the truth, or even knowingly mislead the other
- assume agreement; then try to justify the agreement to each party

Ironically, the very approach that leads to best negotiated agreements—in the long run, which is what matters—is the very approach calculated to increase trust.

GETTING BEYOND YES: WHAT TRUST-BASED NEGOTIATION ADDS

The very popular Getting to Yes approach to negotiation is also anti-CPT. But it is limited by its emphasis on neutralizing the negative effects of CPT. It stresses issues like personal respect for the other party, and focusing on needs rather than positions. But this means at its best, it is the negation of a negative. GTY is still transaction-focused, and skips the centrality of the relationship.

GTY's concept of BATNA (Best Alternative To a Negotiated Agreement) is telling. It substitutes a best case on-your-own scenario for a position-based limit. But in so doing, it discounts the upside value of a trust-based relationship.

By contrast, trust-based negotiation uses what might be called BATR—Best Alternative to a Relationship. That sets a much higher value on gaining an agreement, because a trust-based relationship almost always offers far greater systemic value than two unrelated parties can achieve. In fact, a better concept would be COLR—Cost of Losing the Relationship. The cost is high indeed. Which is the point both parties need to focus on.

Ironically, the very approach that leads to best negotiated agreements—in the long run, which is what matters—is the very approach calculated to increase trust. The real paradox is that you increase trust itself by negotiating this way. And of course, it isn't really a paradox; it's just good business.

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