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## **When the Only Constant Is Change**

BY MICHAEL WHEELER

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# When the Only Constant Is Change

To craft and execute strategy in a volatile negotiation, take a page from the Marine Corps' manual.

BY MICHAEL WHEELER

**H**OW CAN YOU NEGOTIATE when the rules suddenly change, and no one knows whether your particular market is headed up or down? Regrouping from the cancellation of the 2004–2005 season due to failed labor negotiations, National Hockey League (NHL) teams and players faced this challenge in July 2005 when they radically restructured their collective bargaining agreement (CBA). The new CBA instituted a uniform cap (as well as a floor) on team payrolls. It also set maximums and minimums for individual contracts and declared many more players free agents, allowing them to sign with whatever team made the richest offer.

Imagine that you're an NHL general manager. You have a month, at most, to fill your team's roster before training camp begins.

What's your strategy? If you expect that your rivals will go on a spree and overspend for big-name players, it would be smart to sit back, protect your budget, and then scoop up the excess talent. But if the other owners move cautiously in this new terrain, it would be in your interest to aggressively sign stars before the market heats up.

Either strategy carries risks. You wouldn't want to blow your budget on a few marquee players and have little left to round out the team. Then again, there's no point in holding lots of cash with no one worthwhile to spend it on.

Conventional negotiation theory doesn't say much about how to craft and execute strategy in such dynamic markets. Assessing your walkaway point is useful in stable situations but less helpful if you don't know whether your options will get better or worse.

It pays to look for strategic insight from contexts where uncertainty, risk, and change are the only constants. Military science, in particular, offers powerful lessons for negotiators, whether they are settling disputes or making deals. As it says in *Warfighting: The U.S. Marine Corps Book of Strategy* (Currency, 1995), "The very nature of war makes certainty impossible; all actions in war will be based on incomplete, inaccurate, or even contradictory information."

Many negotiation scholars have shied away from drawing parallels to battlefield strategy, due to its associations with violence and brute force. In fact, contemporary the-

ory of maneuver warfare is surprisingly nuanced and supple. Three axioms apply to negotiators who must cope in volatile environments: (1) make a bump plan, (2) be bold and quick, and (3) learn and adapt.

## Axiom #1: Make a bump plan

Military strategist Carl von Clausewitz coined the term *friction*, "the force that makes the apparently easy so difficult." Friction doesn't just refer to adverse weather or enemy fire. It can also be mental and self-induced, resulting from the "lack of a clearly defined goal, lack of coordination, unclear or complicated plans," and other signs of ill preparation, according to Marine doctrine.

Mental and organizational friction infiltrates negotiation as well. When the stakes rise, so do tension and miscommunication. Totally eliminating friction is unrealistic on the battlefield and at the bargaining table. In both instances, you need the authority and the emotional steadiness to cope in spite of uncertainty.

Strategy is further complicated by the fact that the other parties are independent actors with their own objectives and plans. While you're striving to influence their behavior, they're just as determined to shape your decisions to their advantage. According to *Warfighting*, appreciating this dynamic interplay between opposing human wills is an essential factor in understanding the nature of war.

When formulating negotiation strategy, strive to view the landscape as other parties see it. Returning to our hockey example, the NHL general managers had to work on at least three different levels as they raced to sign players. They had to assess a particular player's value to their own team and what other clubs would be likely to pay him. They also had to weigh what sort of precedent, good or bad, that deal would set for the other players they were trying to sign. Finally, they had to anticipate how their moves would affect the decisions of competing teams.

Friction was high in each of those domains. Confidential information about contract talks was sometimes leaked the press. Key players who seemed ready to sign with one team suddenly bolted to another. Some general managers gave fat

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contracts to players long past their prime. Each transaction altered the overall negotiation landscape.

In rapidly changing marketplaces, you can't provide for every contingency. But you can take a page from Marine Corps practice and develop *bump plans*. Rather than mapping out every possibility, commanders practice a form of analytic triage by focusing on two negative possibilities, discarding almost everything else. The first element is anticipating the enemy's most likely course of action. The second is preparing for the biggest, most damaging risks by identifying the greatest threats to success.

Translated to the negotiation arena, creating a bump plan means ultimately making an informed bet on how you expect things to unfold, while also contemplating what you'll do if events go the other way. A hockey general manager who values premier goaltending should identify a handful of potential players. But in case he gets stymied with all of them, he should be open to assembling a team that's more offensively oriented.

### **Axiom #2: Be bold and quick**

When the rules of negotiation have changed drastically, should you be bold or cautious? As a general principle, the Marines have a bias for action. For them, a mediocre decision is better than wavering. Applied to negotiation, being proactive allows a firsthand reading of the market and gives you a key role in shaping how the game evolves.

As soon as the new CBA was in place, some NHL general managers moved quickly to buy out the existing con-

tracts of some of their older players. Having read the agreement's small print, they realized that, for only six days in July 2005, such buyouts would not be counted toward the annual salary cap. By freeing up their budgets, they put themselves in a great position to aggressively pursue prime talent.

Boldness and quickness go hand in hand on the battlefield. As *Warfighting* states, "Since war is fluid and opportunities fleeting, focus applies to time as well as to space. We must focus not only at the decisive location but also at the decisive moment."

Timing is just as important in negotiation. In volatile situations, you and your organization must be poised to act quickly. But don't confuse quickness with frenzy. In the heat of the moment, it's easy to bicker over minor points and lose sight of larger objectives. NHL general managers who tried to play a central role in all contract talks likely were swamped with information and misallocated their time. Those who were willing to delegate would have been better positioned to see the big picture.

Individuals and organizations should operate at a high tempo but not one so fast that they compromise their strategic judgment or tactical execution. Having a metric in place that rates your priorities and weighs tradeoffs will enable you to make good decisions on the fly.

### **Axiom #3: Learn and adapt**

Bolstering your capacity to sense and respond is key to prospering in turbulent situations. It's also at the heart of

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## **A SPIKE OR A SEA CHANGE?**

What was the smartest negotiation strategy for U.S. car dealers this summer when gas prices shot up after Hurricane Katrina? No one knew for sure where the energy market was headed or how it would affect consumer behavior more broadly.

If car dealers saw the jump as a mere spike, they could maintain their current pricing and ride things out.

But if they thought that gas prices would stay high, they'd have to move fast and negotiate on multiple fronts. They might offer deep discounts on SUVs, to avoid getting stuck with inventory whose value would drop even further, while insisting on the sticker price for fuel-efficient models such as hybrids. They might also take on vehicle swaps to increase their product mix.

Those initiatives would be a waste of time, of course, if

gas prices settled down and had little lasting impact on the automobile market. Guessing wrong could be costly either way.

According to military strategy, long-term success depends on situational awareness—spotting early signs that the rules of the game are changing. When the battlefield shifts, you'll be better poised than your competition to negotiate in the new terrain. As a car dealer, dumping gas guzzlers at cost might be the right play if the potential losses you shed are bigger than the profit you'd be forfeiting. Likewise, it might not cost much to test what the market for economy cars would bear. Holding the price line could yield better margins. If not, reverting to business-as-usual practices would still be an option.

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maneuver strategy in the military. Much of the best contemporary thinking in this realm was advanced by the late Col. John Boyd, a Pentagon maverick. His decision-making model has become influential in the United States and abroad, in fields as diverse as consumer marketing and college rugby.

Boyd's animating insight sprang from his study of Korean War air battles between American F-86s and Soviet Union-made MiG-15s. Although the Soviet plane could accelerate faster, was better armed, and could perform better at higher altitudes, the F-86s won 90% of the encounters.

Boyd attributed the success of the American F-86 to two factors. First, the F-86 had hydraulic controls that allowed it to transition between activities—climbing, banking, and accelerating—more rapidly than the MiG-15. Second, the F-86 had a bubble canopy that gave pilots unobstructed views from all angles—this meant that the pilots had superior situational awareness, enabling faster decision making. Each maneuver increased the F-86's edge over its opponent until it cumulatively achieved a dominant position.

From this example, Boyd conceived of the *OODA loop*—the repeated process of *observing*, *orienting*, *deciding*, and *acting*. He concluded that tactical and strategic victory hinges on cycling through this loop faster than the enemy (or by disrupting the enemy's ability to connect those activities efficiently).

The first two elements—observing and orienting—are especially important for negotiators thrust into new environments. Your strategy must be driven not only by your goals but by what you will learn while achieving them. Thus, negotiating with an individual NHL player has dual purposes: getting him signed and gaining a better feel for what other teams and players are doing. Faxed exchanges of offers might accomplish the former but yield little general intelligence. Your eyes and ears have to be open for clues about where the overall market is headed.

The more novel the circumstances, the more important situational awareness becomes for the negotiator. You need the capacity to organize and analyze data as it comes in so that you can confirm or reorient your strategy, if necessary. That way, you can align your tactical decisions with your larger objectives. The more efficiently you manage this process, the more up to date you'll be on current conditions. Cycling through these loops of analysis and action faster than other negotiators will give you a significant edge. ✧

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