

[Consulting Room](#)[Negotiation 101](#)

Don't Shoot the Messenger

Conflicts could mean corporate extinction if CFOs don't perfect their negotiation skills. By Cheri Anderson

WE ALL EXPERIENCE CONFLICT IN LIFE, from schoolyard spats to power plays with ambitious co-workers. But when it comes to sharing bad news, such as your company being in the midst of financial distress, the level of your negotiating skill could mean the difference between financial stability and bankruptcy.

According to Dan Dooley, partner with Chicago-based corporate turnaround consultancy firm Morris Anderson & Associates, negotiation between all business parties is especially important to companies in financial crisis.

"Often during crisis, the CFO or other C-level manager tries to contain the news that the company is in distress," he explains. "But the funny thing is that the vendors, creditors, employees and bankers already sense the distress. Hiding the trouble is the wrong thing to do; it only damages management's credibility."

So what's the first step? Dr. Beverly Potter, author of *From Conflict to Cooperation: How to Mediate a Dispute* (Ronin, 1996), advises companies to begin the mediation process with information gathering. "All parties involved need to discuss the issues openly and individually. For management at a financially distressed company, this means looking beyond the numbers to the consequences," says Potter.

Jim Ross, also a partner with Morris Anderson & Associates, says his firm does a tremendous amount of hand holding during their engagements. "Often, after being kept in the dark by a management team, lenders find out too late that the situation is worse than suspected and their financial risk is far greater than thought."

In a financially troubled situation, there's a strong demand for technically skilled financial people who understand the importance of communication, since, "The problem is that many people depend on the company—it's the CFO's company, the bank's company, the vendor's company, the customer's company," says Dooley.

Morris, Anderson & Associates advises companies to look beyond education, certification and technical skills in their search for a CFO. Those who have the fortitude to stand up for smart economic moves despite the personal risks involved often are better negotiators and stronger candidates. Assuming the role of "loyal opposition" and being able to debate issues with the CEO, peers and owners can create a

negotiation-savvy executive.

Ross agrees: "When we see CFOs in troubled companies, they're often the least powerful managers in the organization. They just do what they're told, and it's a prescription for disaster."

Negotiation with stakeholders from the outset often can buy enough time to discover solutions to problems and strengthen the company. It's important for the CFO to anticipate needs and provide lenders and other stakeholders with as much information as possible as quickly as possible, which can be vital to lenders in large bureaucracies who may get skewered by their bosses if their deal goes bad.

Dooley adds that negotiation is paramount for turnaround consultants because it's difficult to convince parties at economic risk to "sit tight."

"We have to convince the employee not to quit; the customer not to go to the competition; the banker not to demand debt pay-down or foreclosure; and the supplier not to stop at least C.O.D.-paid goods and services," he says, adding that impetuous decisions can lead to unplanned bankruptcies and value destruction.

Open and honest communication often is the only way to a solution, which can be difficult when executives are taught to remain polite and politically correct. "Some of the facts are unpleasant to share and discuss. So this is the time for the management team to let everyone know that it's going to take some time to rebuild the company," Dooley explains.

How does the accountant step outside the financial analysis and overcome the fear of communicating bad news? According to Potter, finding a mutually agreeable action plan should be the sole objective at this stage.

"During financial crisis, everyone is angry," says Ross. "They've invested time, effort and money, and may get less back than they bargained for." But focusing on an agreeable plan can temper the anger.

Family owned businesses might require extra attention to negotiation. The financial manager needs fortitude to convince the owner to take actions such as laying off long-term employees, shutting down operations that may have been in the family business from the beginning, reducing salaries, or stopping payment to vendors that also may have ties to the family.

Potter reminds us that sometimes it's necessary to accept small changes—a process Dooley and Ross know well. "Sometimes you don't get everything you want," says Dooley, "but making gradual progress is better than nothing."

Ross sums it up well: "Business is simply too complicated today for one person to come in with a heavy hand and dictate what needs to be done. It takes a lot of smart minds working together." □

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Time management gurus recommend budgeting 10 percent of your time to personal development, which boils down to about 15 training days a year, or 30 minutes each day.

- **Log on.** Websites such as work911.com and bbrahim.com offer tips on the negotiation process. Sign up for your favorite business site's daily tip or monthly newsletter.
- **Read the book.** LaxSebenius is a negotiation advisory and capability-building firm, co-founded by Dr. David Lax and Dr. James Sebenius. Their book, *The Manager as Negotiator: Bargaining for Cooperation and Competitive Gain* (Free Press, 1986), is available through Amazon.com.

- **Check it out.** Scan local library websites for audio books you can listen to during your daily commute.
- **Take a class.** Companies such as Franklin Covey (franklincovey.com) offer two-day "work sessions" in which students share their negotiation issues and learn deal-preparation and application skills.