

From Difficult Conversations to High-Value Dialogue

We invite you to read this complimentary article co-authored by Jonathan Hughes during his tenure with Vantage Partners. This article describes how to turn the most difficult conversations with strategic customers into productive discussions. Now with BDO USA, Jonathan leads the firm's Management Consulting practice.

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FROM DIFFICULT CONVERSATIONS TO HIGH-VALUE DIALOGUE

Triggers abound for difficult conversations with strategic customers. Here's how to transform even the toughest ones into productive discussions.

By Jonathan Hughes, David Chapnick, and Ben Siddall

A group of business professionals in a meeting. On the left, a man and a woman are shouting or expressing frustration. In the center, a man is looking towards the right. On the right, a woman is pointing her finger and speaking, and a man with glasses is also speaking. The background is a light-colored wall.

Even in the best of times, we sometimes need to engage in difficult conversations with important customers. Perhaps we did not meet their expectations. Maybe those expectations were unreasonable, and now we're over scope — way over scope. Perhaps someone on our team said or did something inappropriate. Or maybe someone at the customer behaved inappropriately toward someone on our team. We invested significant time and effort in a joint innovation initiative and procurement is now refusing to honor the previously agreed-to gain-sharing arrangement, so now we need to have not one but several tough conversations to reach an acceptable outcome.

Turbulent times inevitably trigger more difficult conversations with customers. Inflation creates pressure to increase prices, even as the risk of recession leads many customers to seek discounts. Ongoing supply chain disruptions lead to delayed deliveries. Rising geopolitical tensions create uncertainty which

begets anxiety and the temptation to reduce risk by shifting it to business partners.

Whatever the circumstances, difficult conversations cannot be avoided — and they usually get more difficult the longer you wait to have them. But they are risky. Unless skillfully managed, a difficult conversation can damage personal relationships, and by extension, damage or even destroy a valuable account relationship. Every difficult conversation also represents an opportunity: to increase understanding, generate new insights, catalyze innovation, enhance trust, and deepen relationships. Rather than adopt a defensive stance toward difficult conversations — where we seek simply to limit the damage — we need to learn to embrace the challenge and opportunity they offer.

What Makes Difficult Conversations So Difficult?

Difficult conversations usually arise at the intersection of conflicting views about important matters coupled with

strong feelings. Different perspectives on high-stakes issues typically lead to a heated argument, which can rapidly escalate into a “cycle of mutual dismissal.” Difficult conversations are characterized by debates about what or who is right or wrong, often followed by accusations, defensive responses, and counteraccusations.

Difficult conversations with customers often involve counterparts who seem to be acting unreasonably or unfairly. And maybe they are. Nonetheless, it is critical to recognize that they almost certainly do not see *themselves* that way. We are social creatures, so while self-interest and some degree of selfishness are part of our nature, these less-than-noble impulses are kept in check by our desire to be seen by others as reasonable and fair dealing. Human beings are complicated and there aren't a lot of saints walking around amongst us. The rest of us act out of a complex set of motivations, including, but not limited to, narrow self-interest. Most of us care about receiving recognition, getting bonuses, receiving promotions. Incentives like these inevitably shape our own views and actions, just as they do for others, often to a degree that we fail to fully recognize or acknowledge.

The vast majority of people (and yes, this includes people in procurement!) want to act with integrity and do the right thing — even if we often disagree about what that is. Expecting selfless behavior from our customers (or customers expecting selfless behavior from us) is bound to leave us frustrated, taken advantage of, or both. (By the way, show us a company that consistently ignores self-interest while seeking to be a good partner to its strategic customers, and we will show you a company that went out of business.) But human beings are also prone to binary thinking, and when confronted with different points of view, the natural and almost inevitable reaction is to conclude we are right, and the other side is wrong.

People also tend to see themselves as acting reasonably, if not always nobly. But we don't always recognize that others see themselves and their actions the same way.

When we don't live up to our highest ideals, we often say to ourselves, “I was forced by circumstances (and particularly by the actions of others) to behave differently than I would have preferred.” But we don't always cut others that kind of slack. Instead, we attribute their behavior to flaws in their character that prevent them from being “a team player” — what psychologists refer to as the “fundamental attribution error.”

The Cycle of Dismissal

Consider the following scenario:

Rachel has spent weeks preparing for a conversation about a significant price increase with her account. She's gathered data that justify the price increase and has prepared carefully to explain why this increase is necessary due to significant cost increases from her company's own suppliers, as well as rising labor costs that are affecting many in the industry. She believes her data shows that this price increase is in line with marketplace trends, and that her account will be able to pass the increase along to their customers.

Unfortunately, when she met with Lee, her key account contact, they reacted badly. “Are you kidding? I'm sorry if you're not going to make quota this year, but that's not my problem. We can't simply absorb your price increase, and if we try to pass it along to our customers, we are going to lose business. You're trying to take the easy way out. What has your company done to increase efficiency and control costs? That's what I expect of a partner.”

How does Rachel react? With an open mind, curious to hear more from Lee and learn from their different perspective? Or with frustration that the support she needs is not immediately forthcoming, and maybe with a bit of defensiveness?

“Look Lee, I've always had your back. You just haven't spent all the time I have looking at this from all angles. My team's market analysis is sound, I can assure you.” Perhaps Rachel also thinks to herself, “When you needed me to bail you out of tough situations in the past, that is what I did. I certainly didn't say it was your problem.”

How does Lee react? Are they open to reconsidering their initial skepticism? Or do they conclude that Rachel is reacting defensively, because she's under heavy pressure from her bosses to ram through a price increase? Lee (sighing) responds, "Look Rachel. We're on the same side here. I'm just trying to make sure my company doesn't agree to a price increase that drives our customers to our competitors. In my view, this is a really terrible time to push a price increase. Honestly, I don't want you, and your company, to damage the future you have with our company."

Rachel and Lee have fallen into the "cycle of mutual dismissal." Each believes the other is wrong and, increasingly, sees the other as acting in less than good faith. The more they respond to each other based on this perspective, the more their actions reinforce their perceptions of one another. If they have a good relationship, they might nip this dynamic in the bud, or dial it back before things get toxic. They might simply agree to disagree. Or they might reach some sort of compromise — a smaller price increase, or an agreement to revisit pricing in the future. That's the *best case* — but the opportunity for learning and creative thinking is lost, as well as the opportunity to *strengthen* their relationship by leaning in to work through a tough situation together.

Making Difficult Conversations Less Difficult, and More Productive

Difficult conversations, by their very nature, often catch us by surprise. Even when we initiate such conversations, it is often after a period of putting them off, such that bottled up anxiety and frustration quickly leak out. Difficult conversations also tend to trigger us emotionally and tempt us into rapid (often counter-productive) reaction. A simple framework can help us become more deliberate, and more effective, in how we engage in conversations that are difficult, specifically because they are about important topics and involve important relationships (see chart below).

Deal with Emotions Before Resolving Business Issues

Negative emotions (fear, anger, embarrassment, betrayal) are all but inevitable in challenging, high-stakes conversations. These feelings are at the heart of what makes difficult conversations difficult. Dealing directly with emotions in a skillful way is also the key to productive dialogue. Of course, this is easier said than done — especially when many of us have been taught to keep emotions out of the workplace. A simple acknowledgment that emotions are a normal and inevitable part of all human interactions is a helpful start. A recognition that feelings are not right or wrong, coupled with a commitment not to judge or argue with the emotional reactions of others (or our own), is a good next step. We can then begin to explore what is trig-

Make Difficult Conversations Productive: Five Simple (but Not Easy) Steps

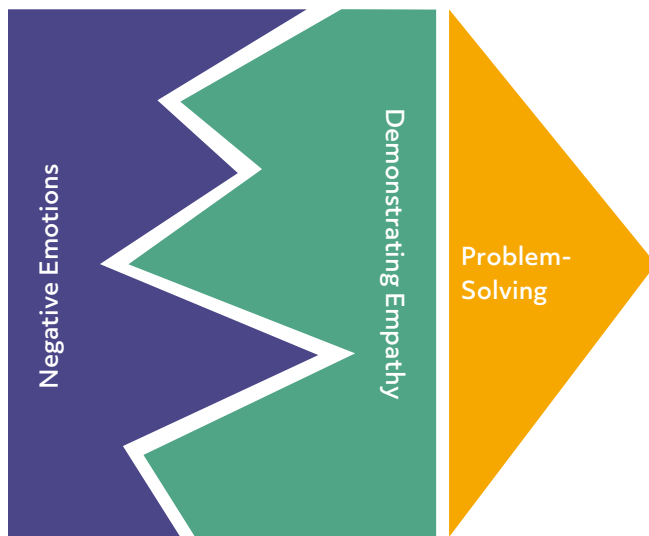


gering negative emotions, process those emotions together, and jointly create a foundation for working through difficult business issues.

Leverage the Power of Empathy

Facing a difficult or even hostile customer counterpart? One who just won't listen to reason? While it is tempting to focus on helping them see the error of their ways, resist that temptation. Instead of a good "talking to" give them a good "listening to."

Good listening is not a passive activity, it requires active engagement. In particular, effective listening involves empathy — a commitment to see the world the way someone else sees it, to understand their experience as *they* experience it, and to *care*. Empathy does not mean we need to agree with the way a counterpart sees things, just that we care to understand how and why they do.



Empathy is not so much a skill as it is a choice. When we are being attacked or unfairly blamed, or when our legitimate concerns are being ignored or brushed aside, empathy is a hard choice to make. But it is in precisely such circumstances that empathy is most essential, and most powerful. Those who do not feel heard cannot listen. Those who do not feel respected tend to lash out in disrespectful ways. If you decide to take the higher road in difficult circumstances simply because it is the high road, that's wonderful. The rest of the time, consider doing so simply out of enlightened self-interest. We can always *hope* a difficult counterpart will

see the error of their ways and change. But demonstrating empathy is a choice completely under our control. It will not always make a difficult conversation easy, but it will usually make it better — and it will never make things worse.

Common but Unproductive Purposes

- Avoid an uncomfortable interaction
- Make them happy
- Convince them I'm right (and they are wrong)
- Justify my actions; avoid blame

Learning Conversation Mindset

- Grow (as a SAM, and as a person)
- Show them I respect and care about them
- Learn (from them, about them)
- Help them understand me and my actions

Productive Purposes

When we make the effort to see the situation as our counterpart does, we begin to transcend our own partisan point of view and can view things from a broader and more objective perspective. This enables us to avoid reactions that are likely to make a difficult situation worse and instead act with deliberate purpose. Too many conversations begin badly and end worse because they are the fruit of a poisoned tree, the result of a purpose, often unconscious, that is bound to lead to a bad outcome. Productive dialogue begins with a constructive purpose.

Harness Differences as Productive Fuel

Seemingly unreasonable counterparts have access to information we don't. They have different experiences and see things from different vantage points. Their objections, complaints, and criticism, no matter how unconstructively articulated, are precious assets. Even the most unreasonable grumbling and self-interested accusations usually contains nuggets of insight — about unmet needs, potential risks, possible alternatives, and new opportunities. Instead of digging in our heels, we need to dig into a learning conversation, to embrace dissent rather than overcome objections, and uncover such nuggets, no matter how deeply buried or well-disguised they might be.

Examples of How to Constructively Reframe Conversations

1	But → And	Focus on understanding complexity, versus binary assessment of what is true or false, good or bad.
2	Prediction → Possibility	Explore what factors might make different outcomes more, and less, likely, versus debate what will or won't happen.
3	Past → Future	Focus on what is possible going forward, versus what has already occurred.
4	Complaint → Request	Focus on what could make a situation better, versus airing grievances and focusing on what went wrong.
5	Passive → Active	Focus on what can be done to positively affect a situation, versus on constraints and limitations.
6	Control → Influence	Focus on ways to accomplish things with and through others, versus on what anyone can do or dictate on their own.

We need to resist the temptation in difficult conversations to defend ourselves or persuade others to agree with us. Instead, we need to first focus on understanding our counterpart's point of view and empathizing with their perspective and experience — even if we do not agree. Then and only then have we earned the right to engage in a process of joint problem-solving and mutual persuasion.

Creative Joint Problem-Solving: Use Reframing

Transforming a difficult conversation into productive dialogue often requires reframing the issues being discussed. Framing a negative or contentious issue in a new way often reveals new insights and points the way to new solutions. On the top of this page there are six archetypal reframing moves (see “Examples of How to Constructively Reframe Conversations”).

From Mutual Dismissal to Productive Dialogue

When Lee raises concerns about Rachel's plan to increase prices, how can Rachel avoid falling into the cycle of mutual dismissal? Rachel might still suspect that Lee is, in part, motivated by their own self-interest and their need to look good to their boss. But she reminds herself that that there's nothing wrong with that, and that Lee also genuinely cares about what's good for their company, not just how

a price increase reflects on them personally. Moreover, there might be some merit in Lee's concerns. Finally, rather than trying to ignore the hurt and anger she feels at Lee's accusations that she's only motivated by hitting her quota and that her company has not made any attempts to control costs, Rachel considers how to express those constructively, without being defensive, and without leveling counter-accusations.

“Look Lee, we're both in a tough spot here. I would hope based on our history working together that you would be confident I'm not simply trying to take the easy path to hit my quota. But at least give me a chance to show you that I'm committed to doing right by you and your company while also meeting my obligations to mine. Tell me more about what you're seeing from your competitors and hearing from your customers, and what I might be missing. And let's also share what our respective companies have been doing to try to rein in costs; maybe there are things we can each learn from each other.”

Rachel has focused Lee on their common ground — but without pretending there's not disagreement. Because it is a deeply engrained human instinct, Lee mirrors Rachel's behavior. Lee is frank about their concerns, but the edge is gone.

"If your analysis is right, Rachel — and I'm currently skeptical — some price increase might be warranted. I know you have data saying my company's customers are anticipating price increases, and that these are in line with our competitors' increases. But what if you're wrong? What if many of our customers react negatively? What if our most important customers react negatively? There's a lot of uncertainty in the market right now."

Rachel happily shares further information, and since she no longer perceives Lee as unreasonable, it seems natural to also ask them for other suggestions they might have. Rather than spiraling into the cycle of mutual dismissal, Rachel has guided her conversation with Lee into a virtuous cycle where their differences become the fuel for creative thinking. Maybe this discussion produces a better plan for introducing price increases — differentiated by market seg-

ment or phased to reduce risk and enable experimentation and agile course corrections. Or perhaps Rachel concludes that her company's price increase is too risky, and she needs to take Lee's concerns back to her company's management team for further discussion. Or just maybe, a collaborative, side-by-side conversation produces an entirely new plan to address rising costs — for example, through more transparent joint demand forecasting, or joint innovation projects to improve supply chain efficiency.

Multiply this kind of curious, empathetic, and collaborative dialogue across myriad difficult conversations involving varied counterparts over time, and the result is a genuine partnership between customer and supplier — one where people and the companies they work for are able to learn from disagreement, reach better decisions, develop innovative solutions, and succeed together.

Difficult Conversation Mindset

- There is a right answer: different opinions indicate that someone is wrong
- I see the whole "picture"
- My competence is a function of how often I am "right"
- Success requires that I get those who are wrong to "see the light" and agree with me
- Disagreement from others indicates ignorance or bad faith on their part

Learning Conversation Mindset

- A complex situation can generally be interpreted in several valid ways
- I have something to learn from those who see things differently than I do
- My competence is a function of how well I can learn
- Success requires that I work with others to develop the best solutions, rather than trying to get them to agree with me
- Disagreement is an opportunity to learn; I need to seek out, explore, and appreciate different views



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