

HOW TO START YOUR CAREER
ONE STEP AHEAD AND STAY THERE

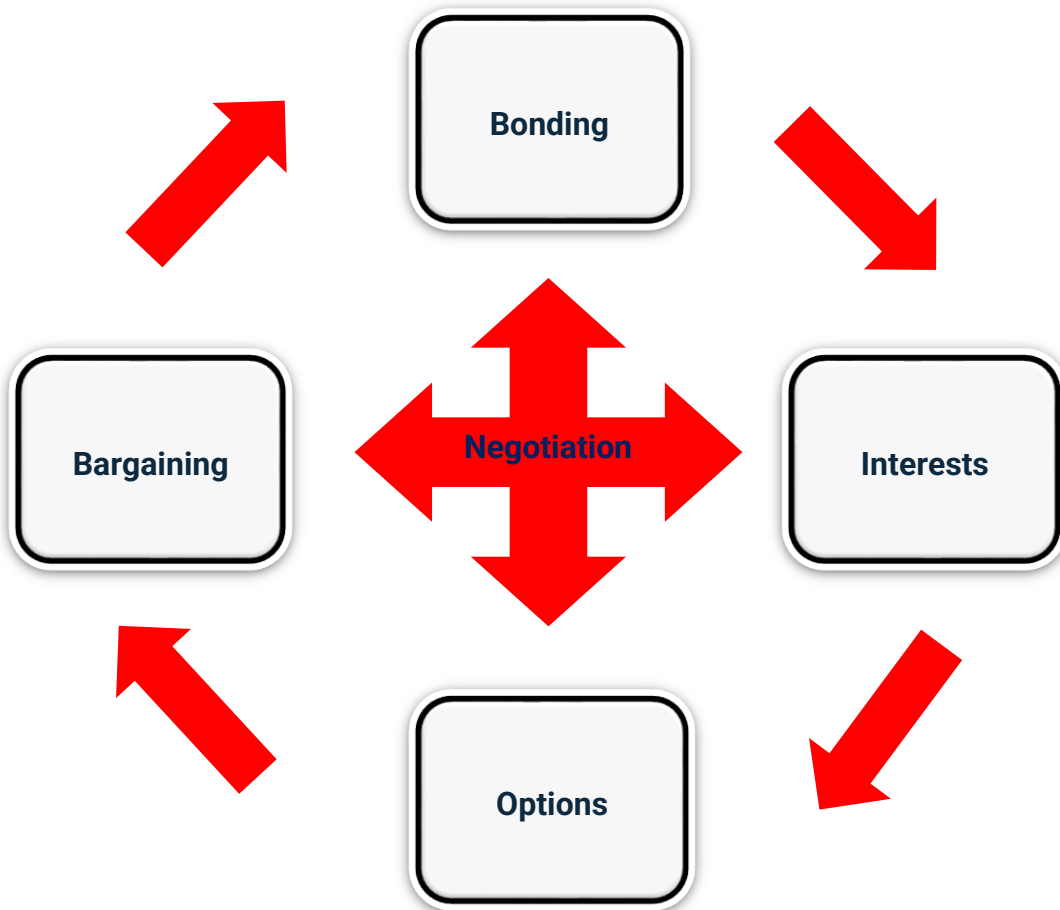
YOUNG ZINGER

C.R. WILLIAMS



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The Process of Negotiation



The process is not necessarily sequential, so for example, one could explore options before bonding, or bonding could happen at the beginning but then deepen, or conversely rupture, later on. Further, exploring interests should always be carried out early on in the negotiation but it should also be referred to throughout in order to avoid immovable "positions" taking over.

Notes, observations and/or actions:

Win-Win Negotiation

A win-win negotiation is **a negotiated outcome in which parties have reached an agreement that cannot be mutually improved upon.**

Achieving a win-win is clearly not easy though. It requires preparation and most importantly, collaboration. With the myth in business that one's own interests are diametrically opposed to those of the other party being so pervasive, it is not surprising that many negotiations sub-optimize the possibilities.

Why do people fail to achieve win-win?

1. "Satisficing" – people set their sights too low and settle for too little too early.
2. Weak questioning – people don't explore the options. They make statements and take positions as opposed to challenging assumptions and asking questions.
3. Poor listening – people just don't listen; they merely hear someone out as they prepare the next thing that *they* are going to say.
4. Cognitive naps - people shortcut the due diligence process and this leads to errors of judgment.
5. Lack of feedback – people don't seek feedback about either their previous agreements, or their current proposition, so never know the full extent of the possibilities.
6. Fixed-pie perception – people erroneously believe the other party is wholly opposed to whatever they want.

Win-Win Negotiation

If any deal that you have been involved with possesses three or more of the following characteristics, then there is a very good chance that you sub-optimised and thus effectively have a win-lose or lose-lose situation.

Characteristics of sub-optimised deals	
<ul style="list-style-type: none"> The first offer was immediately accepted by the other party. 	<ul style="list-style-type: none"> You did not ask the other party any questions.
<ul style="list-style-type: none"> An offer was made, the other party counter-offered and then you agreed to split the difference. 	<ul style="list-style-type: none"> The other party did not ask you any questions.
<ul style="list-style-type: none"> The negotiating parties considered less than three potential deal scenarios. 	<ul style="list-style-type: none"> Neither party tried to modify or improve the deal.
<ul style="list-style-type: none"> The only issue negotiated was price. 	<ul style="list-style-type: none"> You did not reveal anything.
<ul style="list-style-type: none"> Multiple issues were negotiated but independently of each other. 	<ul style="list-style-type: none"> The other party did not reveal anything.

Preparing to Negotiate

Even if you are crushed with time pressure, do not neglect the very minimum preparation prior to a negotiation because "**proper preparation prevents poor performance.**" If you go in using intuition and gut-feel only, there's a greater chance the discussion will derail. Even if you only have an hour or so to prepare, here are the five things you must do:

1. Define what you want from the negotiation

This is not a simple question to answer because most negotiations have multiple issues, concerns or agenda items. You need to be clear about what issues are important to you, why, and in what order. When a negotiation includes multiple issues of varying importance, there is a tendency to lump all the issues together, or to think of them as equally important. Usually, they are not.

So, the first step in preparing to negotiate is to list all the issues under consideration e.g. contractual deliverables, quality control, technical support, deadlines, price, payment terms, renewal terms, guarantees etc. Then arrange these issues in order of importance to you by using either **a)** a simple ranking system and/or **b)** a scorecard of what percentage of overall importance each represents.

2. Surmise as to why the other party will negotiate with you

You will have numerous opportunities during a negotiation to ask the other party questions and thereby uncover needs, desires, motivations and interests. However, you should have a fundamental answer to the "*why should they negotiate with me*" question before starting discussions. To answer this question, think of and list the various ways you could either help, or hinder the other party.

3. Define your walk-away point

Knowing when to walk-away is a key aspect of any negotiation and something not to be taken lightly given intensely competitive markets. In order to define at what point you do walk-away, you should consider the best, worst and most likely case scenarios **for both sides** in the case that no agreement is reached.

- What is the best-case scenario if you don't come to a negotiated agreement? This is known as a BATNA ("Best Alternative to a Negotiated Agreement") and having an attractive one strengthens both your negotiating position and your ability to walk away. **The BATNA of each side determines the negotiating leverage.**
 - Brainstorm, then mix, match and combine the options that come to mind.
 - Always compare your BATNA with the deal being offered.
 - Formulate a "trip-wire" i.e. a less than perfect deal but which is nonetheless better than your BATNA
- What is the worst-case scenario if you don't come to a negotiated agreement?
- What is the most likely scenario if you don't come to a negotiated agreement?

Preparing to Negotiate

4. Prepare an opening statement

A strong opening sets a powerful psychological anchor and acts as a reference point during the whole negotiation.

If you don't have an opening statement planned, then you really should not be sitting around any negotiating table.

Conventional thinking is to let the other party make the opening move but there is a major advantage in making a clear and strong opening statement. Do it well and it will create a powerful psychological anchor and act as a positive reference point during the whole negotiation. If you neglect the opportunity, the chances of misunderstandings and deadlocks later on increase exponentially as does the probability of a price-centric negotiation. As soon as the social pleasantries are over, use your opening statement to vividly set the scene.

Scenario: You are with a buyer. Perhaps it's a contract renewal discussion or a first-time get together. Write out in the box below an opening statement clearly articulating your overall interests and objectives but do not make any demands. Support your opening statement with facts, data and logic and make it within the context of either:

- a) Your company's core corporate goals which are for example, to collaborate with customers delivering value through innovative technology and bespoke solutions
- b) The Product Division's goals
- c) The Historical relationship between the two parties, or
- d) All of the above.

Opening statement:

5. Define what concessions you will and will not make

If you don't make at least some minor concessions, the negotiation will most likely stall. Make sure you define the things you will and will not negotiate in advance.

** Refer to page 16 for the "do's and do not's" of making concessions.

Preparing to Negotiate

What do I want from the negotiation, and in which order of importance?	Points/%
<p>1.</p> <p>2.</p> <p>3.</p> <p>4.</p>	
Why should the other party negotiate with me?	
What is my walk away point (base this upon the best, worst and most likely scenarios in the case that no agreement is reached)?	
What is my opening statement, move, or offer?	

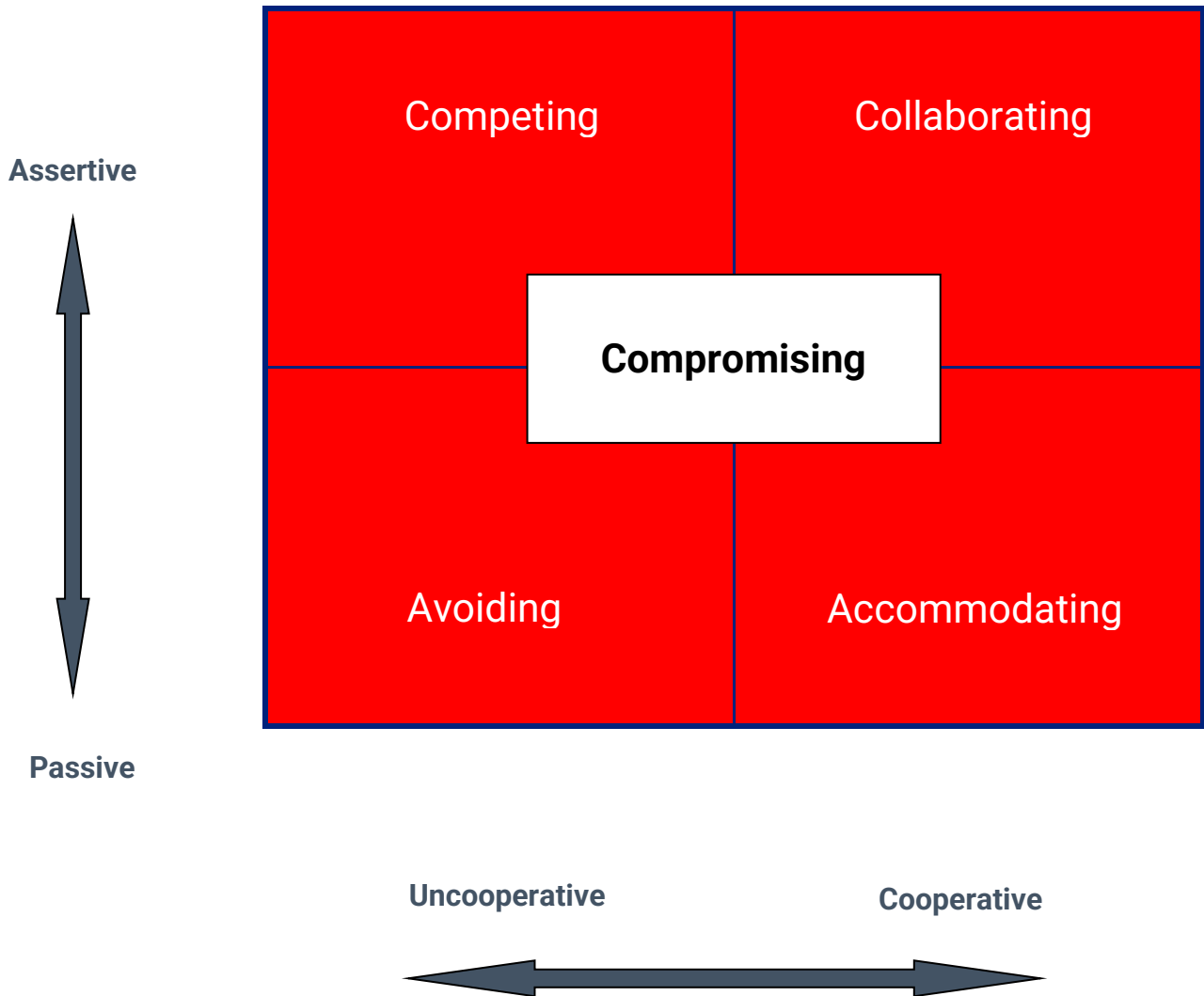
Preparing to Negotiate

What concessions might I make?

What are the “what if” scenarios that could help break a deadlock?

What are the implementation goals and which implementation factors need to be borne in mind during the negotiation?

The Tough Customer: Negotiating Styles



The Tough Customer: Negotiating Styles

Competing

Assertive and unwilling to collaborate, these people focus on their own needs and try to manipulate things in their favour. They are more pre-occupied with winning than finding a mutually beneficial solution.

In the world of B2B, people nearly always negotiate more forcefully when negotiating on someone else's behalf. Somewhat paradoxically, people in more senior positions are often more reasonable, and with whom it's easier to negotiate.

Avoiding

Avoiding is a style in which neither assertiveness or cooperation takes place. Ambivalent to their own side's needs as well as the wants and desires of others, avoiders have no motivation to be involved in the negotiation, so will try to sidestep, postpone or ignore.

Collaborating

Those who collaborate are both assertive and cooperative; they are the exact opposite of avoiders. Collaborators seek solutions that satisfy all concerns whilst also taking a leadership role in the negotiation.

Accommodating

Passive, submissive, selfless and "afraid" of conflict, an accommodator will often neglect their own needs to make sure others get their way.

Compromising

Between competing and accommodating is the compromising style. Those who compromise try to find a quick solution that benefits everyone involved. Compromising frequently means both sides will give up part of their wants and desires in order to find common ground.

Notes, observations and/or actions:

The Tough Customer: Negotiating Styles

Nearly everything that someone says during a negotiation can be classified into one of three categories: i) **POWER** statements, ii) **RIGHTS** statements and iii) **INTERESTS** statements.

POWER statements attempt to force the other party to do something s/he would otherwise not do. Typical POWER statements are: *"That's my final offer" "Take it, or leave it" "You need to do better than that, otherwise there will be no deal" "That's a non-starter" "We have a number of your competitors lined up."*

Any threat to withdraw the business is a POWER move.

RIGHTS statements refer to standards, norms, customs, rules, legal rights or precedents, for example: *"This is not the way we usually do things" "It wasn't like this last time" "We've been one of your customers for a long time" "Other agreements we have are just not like this" "In this part of the world, it just doesn't work like that"*

RIGHTS moves and statements focus on precedents as a way to justify opinions and demands.

INTERESTS questions and statements are geared to uncovering the underlying goals and interests of the respective parties, for example: *"What are the key outcomes you seek?" "How will that help you in achieving your primary objectives?" "Why is that such an important consideration?" "I'd like to share some of our main objectives with you" "Let me explain how this could work for us" "The main value for us here is....."*

INTERESTS statements are generally geared towards a desire to be collaborative.

The big ego negotiator will often make a number of "power" and/or "rights" statements. In these circumstances, you will have to be both persistent and skilled in your counter-questioning in order to shift the person from their entrenched position, to uncovering their underlying interests. If they refuse to shift and you do not have an attractive alternative, you will have to accept the most likely outcome will either be an undesirable "win:lose," or a walk-away scenario.

Notes, observations and/or actions:

Negotiation Tactics:

Fixed-Sum versus Variable-Sum Negotiations

There are fundamentally only two types of negotiation:

1. Fixed-sum (also known as distributive)

In fixed-sum negotiations, the parties' interests are directly opposed, so that whatever one side gains, the other loses, and vice-versa. Fixed-sum negotiations are single issue negotiations where the zone of possible agreement (ZOPA) does not vary.

Tip: If you are involved in what is clearly a fixed-sum negotiation and it's not progressing to your liking, you should either add an issue or unbundle the main issue.

Notes, observations and/or actions:

2. Variable sum (also known as integrative)

Variable-sum negotiations are multi-issue negotiations with an expandable ZOPA. They are synonymous with a collaborative approach where both parties work together to create a genuine win:win.

Tip: If you are involved in what is clearly a variable-sum negotiation, focus your time and efforts on collaboratively creating options. Find and explore options based upon respective interests. Create at least three options to ensure the focus stays on type of agreement, as opposed to whether or not there'll be an agreement.

** There is a derivative of a variable-sum negotiation and that is a "mixed-motive" negotiation. Here both parties collaborate to grow the size of the pie, but then compete for as much of it as possible.

Negotiation Tactics: Interests (vs. Positions)

Negotiations can be easily muddled with human ego and emotion. In particular, one of the parties digs themselves into a position from which they seemingly won't shift. Examples of "positions" people take are:

- "We want exactly the same deal terms as last time" (= a rights move)
- "The pricing adjustments must be made regularly and in accordance with official interest rates" (= a rights move)
- "This is non-negotiable" (= a power move)
- "If you don't see us as a key customer, we'll have to reconsider" (= a power move)

If you counteract with your own position e.g. *"that's our new policy,"* or if you insinuate that your position is more important or more appropriate, the discussion will probably turn confrontational.

In spite of the above and its obvious downside, the general tendency is in fact for people to negotiate from the viewpoint of positions. They decide what they want, increase it 15% and then engage in a series of compromises to obtain their desired result. All the focus and effort is on the position they take and "claiming" as much of that position as possible.

In these circumstances, you should attempt to steer the other party's focus away from his *position* and toward his *interests*. **"Interests" is effectively the "why" you want something.** Everyone has underlying interests and goals which often remain unidentified in a negotiation. People erroneously skip or rush this crucial step, make assumptions and leave key issues hidden. Consequently, the negotiation either turns into a haggle, or a competition, with "power" and "rights" moves prevailing.

Moving someone's focus from his position to his interests is best accomplished with a response in the form of a question.

For example, if the other party makes a "power" move and says: *"That is non-negotiable!"* you must avoid a zero-sum game and instead use counter questioning: *"So that I can better understand what overall value we need to deliver here, tell me a bit more about the full range of outcomes you seek."* Or; *"I fully understand the budgetary constraints you face, how can we work together to better manage the potential for supply chain disruption."* If you are positively bonded with the other party, you could be more direct and say: *"Why is that so important,"* although "why" questions generally lead to a "because" answer which then restricts dialogue.

Discovering the other party's interests is fundamentally about understanding why a particular demand is so important.

Negotiation Tactics: Interests (vs. Positions)

Key Steps

1. Define your interests in advance of the meeting and openly reveal them but don't state them as demands. The clarity of your own mind will help guide your actions and it can also help clarify the mind of the other party.

Tip: Be firm on your own interests but be flexible on how to achieve them.

2. Ask the other party to reveal their interests. Be sincere, listen attentively and paraphrase where appropriate. By being empathetic you will reinforce whatever bond has already been created.

Tip: By openly re-stating ("paraphrasing") each other's interests, it ensures understanding thereby removing ambiguity before moving onto the bargaining stage.

3. Look for multiple interests because **a)** it's then easier to find mutual interests which build a spirit of cooperation, and **b)** you can more easily trade-off areas of less importance for the other party's areas of greater importance, and vice versa.
4. Create and find common ground making sure you distinguish between a position versus an interest or goal.

The hardest thing to do in any negotiation is to understand how things really are from the other side of the table. Sometimes a party doesn't have perfect knowledge of its own side thereby making effective exploration of interests extremely challenging. This is one of the reasons why so many negotiations revolve around ego-driven positions.

If you are unable to move a party away from his position:

- Create and explore "what if" scenarios in order to uncover a wider range of options.
- Shift the focus of the discussion to a hypothetical future and discuss implementation - outline the potential scope of the relationship and activities as if the deal has been done and then discuss what's needed to get to that point.

Negotiation Tactics: Bargaining

The No. 1 leverage point in any negotiation is the ability to walk away. That's why you need a clear and realistic view of your best case (BATNA), worst case (WATNA) and most likely case (MLATNA) scenarios if the negotiation is unsuccessful. If you do not have the ability to walk away, you have to accept that your negotiating position is always going to be relatively weak. In those circumstances, focus the discussion on how the deal you are offering meets the other party's interests.

Concessions

If you don't make at least some minor concessions, the negotiation will most likely stall. So, make sure you define the things that you will and will not concede prior to the negotiation.

Do	Do Not
<ul style="list-style-type: none"> • Plan concessions in advance. • Invite the other party to respond after each concession you make. If you don't, he probably won't. • Carefully evaluate what each of your concessions are worth to the other party, • Put a value on each of your concessions and make sure the other side knows. • Make concessions conditionally and demand reciprocity. • Trade the smaller things early on. • Try to get the other party to make the first concession. • Track/note all the concessions because patterns emerge. • Regularly summarise the process and the sequence of concessions. 	<ul style="list-style-type: none"> • Do not make concessions until you know the full extent of the other party's demands. • Do not make concessions too quickly e.g. before you explore interests. • Do not make concessions if the other party is being intransigent. • Do not de-value your concessions. • Do not negotiate piecemeal because all issues are ultimately part of a single package. • Do not negotiate against yourself i.e. avoid sowing seeds of self-doubt in your own head. Always work with the facts.

Stalemate

If you sense that things are derailing and worse, getting confrontational, circle back in an attempt to shift the focus. *"If there's going to be a successful partnership where both parties meet their goals, we will need to be very collaborative. Let's start that process, now, if it doesn't work at least we can both say we tried our best."* Then, and this might sound benign, recap each other's interests. If the other party won't allow you to do that, stop and re-convene for another time.

TIP: Keep in mind the status of each party in their respective hierarchies. Managers at the top of an organisation, who can make decisions without having to get anyone else's approval, are generally more willing to compromise than those in the middle, or those further down.

Negotiation Tactics: Price Negotiation

If the discussion is fixated on price, you must add an issue or break the price aspect into components. Otherwise, it risks becoming antagonistic and/or a pure street-market haggle.

Before you start a price negotiation make sure you have clearly defined your Aspiration and Reservation points i.e. the monetary equivalent of your ideal set of terms and a bottom-line figure below which you will walk-away.

If price is seemingly the only thing on the table, then by definition it is a fixed-sum (single issue) negotiation. To prevent negotiations becoming fixed-sum where each side tries to claim as much value as possible for themselves without much thought for a win:win, you should:

1. Add an issue to the current scope of discussion. Adding issues to a negotiation is a key tactic for value creation because of a simple formula: More issues = More currency.
2. Split the single-issue into multiple issues, breaking it down into its components and addressing them one-by-one. If you do “un-bundle” like this, single-issue negotiations can be transformed into multiple-issue negotiations, the ZOPA is enlarged and this creates more opportunities to achieve a win-win.

What factors or issues can you bring into play to prevent a negotiation fixating on price?

Further, when you break a single-issue into multiple issues, you can influence how your counterparty perceives the main issue. How you frame and define the problem is crucial. Present the facts, analyse the problem and create options.

Negotiation Tactics: Price Negotiation

When the customer is pushing you really hard on unit price and discounts, deflect to discuss the total cost of ownership.

Your first reaction to a price which you don't like should not be a counter-proposal with specific figures - that is a street haggle! Counter by saying: *"We both need to work on this, let's recap where we've got to in order to ensure we haven't missed anything."*

Tactics: Do's
1. If you are keen to conclude and are not far away in terms of price, isolate the issue. <i>"Are we on the same page except for the price?"</i> If the response is yes, you can then focus on un-bundling.
2. If you can't provide monetary relief, give the other party something else of value but it must be tangible. In general, concede intangible for intangible and tangible for tangible.
3. If in a price orientated discussion either party uses the expression: <i>"You'll need to do better than that"</i> , be prepared for the obvious follow up question of; <i>"Exactly how much better do I have to do?"</i>
4. To remove subjectivity, support your price argumentation with qualitative and quantitative success stories as well as future opportunities.
Tactics: Don't's
1. Don't negotiate in percentages, negotiate in hard numbers.
2. Don't start your discussions with an already discounted price.
3. Don't negotiate against yourself i.e. get your counterparty's feedback before revising terms and conditions.
4. Don't negotiate more than one price drop per deal e.g. you drop the price with your counterparty, then a more senior person gets involved and it gets dropped again.

Creative Solutions

There are two perspectives when it comes to creativity perhaps best encapsulated by the expressions: *"if it ain't broke, don't try and fix it,"* and its opposite, *"if it ain't broke, break it!!"*

Assuming one needs to find a creative solution in order to break a deadlock, there are two models which are easy to learn and apply.

Old Elements in New Combinations

If you occasionally watch television, you will see this dynamic in play almost constantly – whether it's soap operas, games shows or reality TV. Program producers look at historically successful TV productions then combine its core elements in new ways in order to create something new. In essence, all they are doing is **breaking down the holistic old production into its individual parts then re-configuring.**

It's extremely rare to come across something that consists of new elements in new combinations - even the automobile shared the idea of its wheels and tires with the old bicycle. Relatively recent breakthrough consumer products, including Smartphones and Tablets, which swim in a sea of technological hyperbole, are also fundamentally examples of either, new elements in old combinations or old elements in new combinations.

S.C.A.M.P.E.R

Contrary to the perception that it is the result of individual brilliance or born genius, most innovation occurs via collaborative teams. It's also important to bear in mind that brainstorming is an on-going process and that it should not be restricted to an hour's meeting. Frequently, the best ideas come later when people don't feel the pressure of their peers to perform and/or after the initial seed has had time to gestate.

There are many brainstorming tools designed to spur creativity and indeed an excellent book called "Thinkertoys" by Michael Michalko highlights many of these. The simple model which essentially covers most of the ground you need to stimulate creativity is known as S.C.A.M.P.E.R where you take an idea, issue, product or service and then see what happens when you:

- S:** Substitute something
- C:** Combine it with something else
- A:** Adapt something to it
- M:** Modify or Magnify it
- P:** Put it to some other use
- E:** Eliminate something
- R:** Reverse or Rearrange it

Creative Solutions: Tips & Tactics

Most people do not mean to be dishonest or irrational. What you usually see instead is egocentrism, social pressure, and hidden constraints or motives.

Tips and Tactics
1. Avoid leaving just one issue on the table because then there has to be a winner and a loser.
2. Beware of the "higher authority" gambit. Getting the deal to the point where you feel it is done, then having the other party come back saying, <i>"Ok, but my boss said, it's too much"</i> leaves you very exposed. You must determine the level of authority of your counterparty and if need be say: <i>"if there's a risk that you take this back and it gets rejected, let's deal with what we can today, and then reconvene when all key parties are present, otherwise you and I are going to look pretty silly."</i> If you don't do this, it's almost guaranteed that you will experience multiple price drops.
3. State clearly how you feel what you are delivering meets the other side's objectives. Obviously, you can't do this unless you have revealed each other's interests.
4. The "fixed-pie" mentality which assumes there is only a limited amount of value to divide is a frequent starting point for both sides. Challenge your assumptions and explore together how you can create more value.
5. Saying to someone with whom you are negotiating: <i>"I want to help you get what you want"</i> can be a useful way to win them over.
6. Accept that some people are just irrational and will not negotiate with you. In those circumstances, keep working to make your BATNA more attractive.



Appendix A

Definitions/Terminology

Win:Win Negotiation

A win-win negotiation is a negotiated outcome in which parties have reached an agreement that cannot be mutually improved upon.

Golden Rule

People will not negotiate with you unless they believe you can either help them or "hurt" them - in business this is obviously not physical hurt, but loss of business opportunity.

Aspiration Point

The monetary equivalent of your ideal set of terms.

Reservation Point

The amount, in monetary terms, below which you walk-away.

ZOPA

Zone of Possible Agreement – it represents the overlap between the most a buyer is willing to pay and the least the seller is willing to accept.

BATNA

Best Alternative to a Negotiated Agreement = the best-case scenario if you don't come to a negotiated agreement.

WATNA

Worst Alternative to a Negotiated Agreement = the worst-case scenario if you don't come to a negotiated agreement.

MLATNA

Most Likely Alternative to a Negotiated Agreement = the most likely scenario if you don't come to a negotiated agreement.

Post-settlement Settlement

A mutual improvement over a given deal that both parties currently find acceptable.

Appendix B

References & Resources

- The Truth About Negotiations, by Leigh L. Thompson.
- Negotiating the Impossible, by Deepak Malhotra.
- Kings of Peace, Pawns of War (*The untold story of peace-making*), by Harriet Martin.
- Getting to Yes (*Negotiating agreement without giving in*), by Roger Fisher, William Ury and Bruce Patton.
- Getting Past No (*Negotiating with Difficult People*), by William Ury.
- Hostage at the Table, by George Kohlrieser.
- Secrets of Power Negotiating, by Roger Dawson.
- How to Win Any Negotiation, by Robert Mayer.
- Negotiation Genius (*How to Overcome Obstacles and Achieve Brilliant Results at the Bargaining Table and Beyond*), by Deepak Malhotra and Max Bazerman.
- The Point of the Deal (*How to Negotiate When "Yes" Is Not Enough*), by Danny Ertel and Mark Gordon.
- How to Disagree without Being Disagreeable, by Suzette Haden Elgin.
- Thinkertoys (*A handbook of creative thinking techniques*) by Michael Michalko