

Learning the art of successful negotiation

It's a people thing

The biggest challenge that is faced in any negotiation is that we are dealing with people, and despite what they may believe, people are not logical, and almost all decisions are emotional. People have egos which can be extremely fragile and will take positions to defend them. If you criticise their position it will invariably be seen as a criticism of them personally, and in such situations, a negotiation can rapidly degenerate into something resembling a battlefield, with both sides digging in for a long fight.

The first thing to learn in any negotiation is to avoid defending or attacking positions, and instead, focus on the interests behind the positions. In order to do this, you must seek to understand them, and you should do this before presenting your own case.

Understanding interests rather than positions

When learning negotiation skills, reference is often made to “the two sisters” as an example of understanding interests rather than positions. It's Sunday and the shops are shut and each sister wants an orange but there is only one left. Rather than argue they decide to cut the orange in half. One takes her half and uses the peel to bake a cake, throwing away the fruit. The other eats the fruit and throws away the peel. Had they taken the time to find out why they wanted the orange they could each have had everything they asked for.

In real life this is exactly what many negotiations are like and we tend to assume that we are looking for shared interests in a deal, and indeed a shared interest may help. However, it is often the differences that allow a deal to proceed. Consider someone selling some shares in an arm's length, unforced transaction. If both parties agreed that the price will increase, or decrease, then there would likely be no deal. Trading only occurs because one party believes that the shares will fall in value or not grow enough, whilst the other party believes it will increase in value or grow more.

That leads onto the next important thing to remember and that is never accept arbitrary demands or valuations. Instead, seek independent criteria that can be used to help create a fair deal for both sides. You're looking to buy a small business and the seller wants £1m for it. So, you'd like a luxury boat on the south coast, but you're not going to get that either. Instead, bring the discussion back to what the business is actually worth.

At this point it's important to know your walk-away position. If you have no alternative to the deal being negotiated, you don't really have much with which to negotiate, although the other side may not realise just how weak your position is. At the point where your underlying interests are no longer being met you should be prepared to walk away from the deal. There's a strange truth in most negotiations, each side believes that the other has the stronger position!

The zero-sum mentality

When negotiating you occasionally come across someone who has a “zero-sum” mentality. Everything they gain is at your expense and everything you gain is at their expense, and such a person is very difficult to negotiate with. To them the concept of a win-win solution is restricted to fairy stories or artificial illustrations using two sisters and an orange. To such a person negotiating

tricks are fair game and win-lose is a better outcome than win-win, since they must have given too much away for it to be win-win. Indeed, they would see win-win as lose-win, with them losing.

Everyone talks about seeking win-win solutions that are fair to all sides. Now imagine for a moment that you are in a negotiation and you have the opportunity to force through a deal which is highly advantageous to you and clearly detrimental to the other party. Would you do it? Of course, we could get into long debates about ethics and morality, but would it make commercial sense?

Look for the long term benefits

Whilst the hard-nosed businessman would say that it was his duty to his shareholders to do the best deal possible, but is this really the best deal. It might be best for the short-term, but not necessarily for the long-term. What's that other person going to feel about you? Might he back out of the deal at a later stage, or look for an opportunity to get back at you later on? Who does he know and what will he be telling people about you in the future? You are invariably much better off treating people fairly and creating an advocate for the future than treating them poorly and creating a corporate terrorist, wandering around looking for any opportunity to damage you and your business.

REMEMBER

When it comes to negotiation, it's important to learn the tricks of the trade, but the really good negotiators can spot when someone else is using them and know what to do about it.