

CHAPTER 1

So You Think You Can Negotiate?

INTRODUCTION

Negotiation affects every part of our lives: the things we buy, the services we use, the holidays we book and the bread that we eat all come at a price. The price that the consumer pays for products and services is usually the outcome of what has been negotiated between two or more parties. So the next time the price of chocolate biscuits increases by 10 pence you may want to think: is that inflation, a material cost price increase, a price repositioning against another chocolate biscuit manufacturer, or has there been a negotiation between the supplier and the retailer resulting in a price increase? If there has, it may have involved a broad range of issues such as the funding of a special promotion, a change in the agreed payment terms, perhaps a pack size change or even something as simple as the packaging being made from a different material.

In *The Negotiation Book* I have set out to provide a philosophy on negotiation, which is not prescriptive, but aims to provide the necessary insights for you to get better deals by being aware that it is you who are responsible for making decisions based on your own judgement. The amount of time people actually spend negotiating is

very small in the context of their whole job and yet the consequences of their performance during negotiations will often distinguish how successful they are. In this book, I have set out to provide you with both the questions and, of course, the answers that will promote your appetite and motivate you to become a great negotiator. This book is about *you* gaining more value from every agreement you're involved in, understanding what to do, when to do it and, most importantly, providing you with the inspiration to do it.

SO WHAT IS NEGOTIATION?

Negotiation is a word, a process and an art. It evokes complex feelings for anyone faced with the prospect of having to negotiate an agreement. However, it is fundamental to how business gets done and takes place millions of times a day around the world. If you can take control of yourself, your values and prejudices, your need for fairness and your ego, you may start to realise the best possible outcomes in your negotiations. The biggest challenge here is not in educating you in how to be a better negotiator but motivating you to change the way you think about negotiations and yourself. Of the many thousands of negotiation workshops I have provided at The Gap Partnership, the greatest change I see clients make, as they develop their ability to negotiate, is that of self-awareness. Learning about negotiation is an exercise in self-awareness because understanding yourself and what effect a negotiation can have on you, enables you to accommodate the pressures, dilemmas and stresses that go with it. Self-awareness helps us to recognise why we do the things we do and the effect this has on our results. This in itself can be very motivating. It also helps us adapt our approach

and our behaviour to suit each negotiation rather than trying to make one approach fit every situation, simply because it suits our personal style.

Why get motivated?

So many aspects of our lives are influenced by agreements with others, both personally and professionally. Invariably, our ability to negotiate the best outcomes will directly influence our success in life, however you measure success.

Success in negotiation can be measured in so many ways. For example, in relative terms.

- Did I get a better deal than last time?
- Did I get a better deal compared with what was on offer elsewhere, in terms of cost and inconvenience?
- Did I prevent the negotiation from deadlocking, which could have meant being faced with lots of undesirable issues to sort out?

Other measurements of success include the financial value, the risk reduction or even how far you managed to move the other party from their opening position. Depending on how you are measured or what objectives you are trying to achieve there will be other **success criteria**. Whatever they are, you will need to be motivated to perform and that means using a wide range of skills in your negotiations.

success criteria

These will vary from negotiation to negotiation. They can be singular, such as securing the right price; or more comprehensive, such as 'total value', however this may be calculated.

Why bother negotiating?

Just because everything is negotiable doesn't mean that everything has to be negotiated. The value of your time versus the potential benefit that can be achieved by negotiating is always a consideration. Why spend ten minutes negotiating over the price of a £10 notebook when you normally make £100 an hour? So you may save £2, that's 20 pence a minute! However, if it is your next car and a 5% saving could equate to £1500, the time is probably worth investing.

An understanding with your wife or husband, or work colleague, has to have some give and take without which you might be regarded as inflexible or just plain difficult to deal with; so everything may be negotiable but that doesn't mean that you have to negotiate

volume threshold

This can relate to a minimum order required for other benefits to be realised. The order may need to exceed a volume threshold of 1000 before discount levels become applicable.

everything. However, there will be situations involving more important decisions where you are mutually dependent and yet hold different views. When an agreement needs working through, ultimately effective negotiation will help provide not only a solution but potentially a solution that both of you are motivated to carry through.

There is no other skill set that can have such an immediate and measurable level of impact on your bottom line than negotiation. A small adjustment to the payment terms, the specification, the **volume threshold**, or even the delivery date, will all impact on the value or profitability of the agreement. Understanding the effects of these moves, and the values they represent to you from the outset, is a critical part of planning (see Chapter 9). The skill in building enhanced agreements through trading off against different interests is called negotiation. In the business context it is known as the skill of profit maximisation.

So, effective negotiation provides the opportunity to build or dissolve value – but what does value *really* mean? It can be too easy just to focus on the price. The question of ‘how much?’ is one, transparent, measurable issue and because of this, is also the most contentious issue in the majority of negotiations.

Yet price is but *one variable* you can negotiate over. It is possible to get a great price and feel as though you have won and yet get a very poor deal at the same time. For example, because the item did not arrive on time, or it fell apart after being used twice, or it had no flexibility about it and so on. (Ever heard the saying ‘you get what you pay for’?)

In negotiation, your ego and your competitiveness will fuel this need to ‘win’, especially where there is a sense of competition involved. However, negotiating agreements is not primarily about competing or winning; it is about securing the best value. This means understanding:

- what the other person or party thinks;
- what they do; and
- how that affects possibilities.

As a Complete Skilled Negotiator your focus needs to be on what is important to the other party: their interests, their priorities, their options, deadlines and **pressure points**. Try to see the deal as they see it. If you set out to understand them and their motivations, you may be able to use these insights to your advantage and, ultimately, increase the value of the deal for

variable

This can be a price, an issue, or an agenda item and refers to something which needs to be agreed.

pressure points

Pressure points are things or circumstances which influence the other party’s thinking or behaviour.

yourself. Being driven to beat the other party will distract you from your main objective, which is usually to maximise opportunity.

Get proactive

As a consciously competent negotiator your first task is to be proactive. That is, take control of the way you negotiate and, in doing so,

negotiate each agreement in a way that will serve

total value

your objectives. Try to be honest with yourself

This is where true value lies and where you, the negotiator, should

when deciding or agreeing on what these are. Remember, price is only one element of the

focus. In fact, it is often as well to

deal. You may also require cooperation to the

let the other person 'win' on price,

point where the other party not only agrees to go

whilst you focus on the *overall*

ahead but is also prepared to *honour* their com-

value. The value you can create

mitment. There is absolutely no place for ego or

this way can far exceed 'winning'

competitiveness in negotiation. The single thing

on price – even when you are

that matters is the **total value**, or the real value,

working with fixed budgets.

however you may dress this up.

Becoming comfortable with being uncomfortable

The person on the other side of the negotiating table may well

take up a tough position, which could make you feel challenged

or competitive. Becoming *more* comfortable in situations like this,

where you are also likely to experience feelings of pressure, tension

and anxiety, must be one of the most important prerequisites of

a skilled negotiator. Without this, our thinking and performance

can become compromised. So a negotiator needs to recognise that,

by negotiating, we are involved in a process. The people you negoti-

ate with need time to adjust to:

CASE STUDY

The new manager of a local German hockey team agreed to purchase their team's new home kit in preparation for the new season. The manager took the time to meet with the team's sponsors to agree the design and arranged to meet with the suppliers who the team had sourced from historically to place an order. During the meeting the new manager negotiated hard over the price they were prepared to pay for the kit. He demanded and secured a 15% discount on the prices paid as compared to the last batch ordered 12 months before. They became so tied up in the haggling process, other issues such as specification (colour, font and stitching of names on the shirts), delivery dates and the exact mix of sizes required were all overlooked. All of these issues turned out to be critical. The shirts arrived two weeks into the new season and were short of four small sizes required. By the time these issues had been dealt with, a quarter of the season had passed, the sponsors refused to pay for them and the manager's credibility was affected. All for what turned out to be a €500 saving!

- any new positions; and
- any proposals that you make.

Even in business, people sometimes become emotional and upset when they do not get their own way or feel that you are simply being irrational. Some will even walk away before considering the consequences.

For this reason, the more experienced the negotiator you are working with, the less chance you will have of a deadlocked conversation. In fact, their confidence means that you are more likely to get a better deal than when you attempt to negotiate with an untrained negotiator. Many of my clients insist that their suppliers attend the same training in negotiation as they do as part of ensuring that both parties work towards maximising total value rather than becoming distracted by short-term gains.

THE NEED FOR SATISFACTION

Everyone likes to secure a bargain; to buy something at a better price than was available before. You only have to visit department stores on 27 December to witness the effect that securing a bargain can have on people's behaviour. Such can be the frenzy that it is not unknown for violence to be used where one person feels another has pushed ahead of them in the queue. Many people just can't help themselves when there's a good bargain to be had. In extreme cases people will buy things they don't want or even need if the price is right.

What is the right price?

The popular TV programme *The Price is Right* that ran through the 1990s pitched people against each other to name the retail price of everyday items ranging from TVs and freezers to holidays. The challenge was simply to guess the retail price of the item presented to you more accurately than the other competitors. Even on these common items which are continuously advertised, more often the price guessed was wrong and often by more than 25%.

In business, what is the right price? The answer depends on a whole range of other issues which, of course, need to be negotiated. So how do you manage the other party's need for satisfaction? That is, their natural need to feel as though they got a better deal than was originally available.

- Do you start out with an extreme opening on price?
- Do you introduce conditions that you are ready to concede on?
- Do you build in red herrings (issues which are not real, that you can easily, and expect to, concede)?

The psychological challenge here is providing the other party with the satisfaction of having achieved, through hard work, a great deal for *themselves*. In other words letting them win, or, letting them have *your way*.

Inside the other person's head

Effective negotiators are motivated by curiosity and have a desire to understand 'the way it is', from inside the other party's head. Without insight, you will remain in a state that we at The Gap Partnership call 'being inside your own head', and that is a dangerous place to be during negotiation. If you want to negotiate effectively, you first have to understand this way of thinking. Honesty with yourself, the situations you face, and a commitment to do what is appropriate, will require you to work on the emotional challenges you will face. It will be your own commercial pressures (those things which you are measured against or are accountable for) that will require you to operate as a 'conscious competent negotiator' if you are to take control (see Challenge 1, later in this chapter).

NEGOTIATING VERSUS SELLING

It is a commonly held view that a good 'sale' will close itself and that negotiation follows when outstanding differences remain. However, negotiation as a skill and as a process is fundamentally different from selling. Whether you sell ideas, services or products, selling is selling, and it has no place in negotiation. To sell is to promote the positives, the reasons, to align the need to the solution. It requires explanation, justification and a rational case. 'The gift of the gab' is associated with the salesman who has an answer for everything. Negotiation does not.

Although relationships can be important, as is a climate for cooperation (without which you have no discussion), the behaviour of the Complete Skilled Negotiator also

silence

Silence can also serve to strengthen your position during negotiation: the other person may seek to fill that silence with offers, or information, or in some cases simply capitulate as the silence becomes too much to bear.

involves **silence**, where appropriate. That means listening to everything the other party is saying, understanding everything they are not saying and working out their true position.

Negotiation involves planning, questioning, listening, and making proposals, but it also requires you to recognise when the selling has effectively concluded and the negotiation has begun. Once you start negotiating you have to stop selling. If you find yourself selling the benefits of your proposals during a negotiation, you are demonstrating a weakness. Selling once the negotiation has begun suggests that you don't feel that your proposals are strong enough and that they require further promoting which is what you are in the process of doing. Without realising it you are actually telling them that you are feeling weak. The more you talk, the more you are likely to make a concession.

So, recognising when the change from selling to negotiating has taken place is critical. You are now negotiating. It is simple enough to shut up and listen and think and yet few people feel naturally comfortable with silence. In negotiation you will need to stop and pause and think things through, whilst exercising patience. If it feels uncomfortable, it is; because you are now negotiating.

PERSONAL VALUES

Values such as fairness, integrity, honesty and trust naturally encourage us to be open. Values can influence judgement, distort objectivity and lead to individuals compromising on otherwise strong commercial agreements. But the assumption that the longevity of relationships is dependent on cooperation is a common misconception. Personal values have their place within any relationship but business relationships can and often do exist, based on different value sets.

Values are usually deep-rooted and many people feel very defensive about them, as if their very integrity was being challenged. The point here is that they are not right or wrong. I am not suggesting that effective negotiators have no values – we all do. However, in negotiation, when you are involved in a process, what you *do* and what you *are* need not be the same thing. This is not about challenging who you are, but it is about helping you to change the things you *do*.

If you want to remain loyal to your values during negotiation there is nothing wrong with this. Others may not be as faithful to theirs, which could leave you compromised. In other words, if you choose to be open and honest by, for example, sharing information

with the other party and they decide not to reciprocate, guess who will gain the balance of power? And how appropriate is that?

Where natural economic laws, such as supply and demand, result in people doing business with each other, a cooperative relationship can help to create greater opportunities but it is not always critical. Trust and honesty are great corporate values: they are defensible and safe, especially when you have a business involving hundreds or thousands of people buying or selling on behalf of one business. They also help promote sustainable business relationships. However, in a negotiation, these values can be the root of complacency, familiarity and even lazy attitudes that end up costing shareholders money. At The Gap Partnership we remain strong believers in collaborative relationships but with the emphasis on optimising value whilst ensuring the best interests of *all* involved.

THE CASE FOR COLLABORATION

If you prefer collaborative negotiations it could be because:

- you need the commitment and motivation of the other party in order to deliver on what you have agreed;
- you prefer to work within a range of variables that allow you to consider all of the implications and the total value in play;
- you regard it as a better way of managing relationships; or that
- you simply fear conflict and the potential negative consequences of the negotiation breaking down.

Whatever your reason, you should ensure that it is because it's more likely to meet *your objectives* rather than simply a style preference that provides for a comfortable environment. How appropriate this

is depends on how honest you are with yourself about your motives and the benefits that collaboration will bring.

HONESTY WITH YOURSELF

It is often difficult to work out how good a deal you really have secured following a negotiation. This would be far easier to work out if, when we reviewed our performance, self-justification was left out of the equation. Denial results in us simplifying and justifying what happened without facing the stark truth. Have you ever asked yourself: 'If I had performed differently or taken different decisions, could I have secured a better deal?' It is easier to move on rather than reflect on our performance and consider the what and the why, and of course the resulting quality of the deal we finished up with. Learning something from each negotiation ensures that, even where unplanned compromises have taken place, you take away some value from the experience. This requires honesty with yourself. The following four areas provide a useful frame of reference for review, and as preparation for your next negotiation.

THE FOUR CHALLENGES WE FACE

Challenge 1 – This is all about you

Negotiation is uncomfortable. It sometimes involves silence, threats and consequences that many find difficult environments to perform well in. If you are to perform well, you will need to accept responsibility for your actions and recognise the significant difference your performance can make to every agreement you are involved in.

The art of negotiation can be learnt and applied, but you must have the self-motivation for change and the ability to be flexible.

This is not just about being tough or being prepared. It is firstly about being motivated by the prospect of creating value and profit from well-thought-through agreements. You should therefore recognise that your past performance is no indication of your future performance, especially since every negotiation is unique, like every basketball or football game.

So, the first challenge is you. It is *people* who negotiate; not machines, or companies. We all have prejudices, values, likes and dislikes, preferences, pressures, objectives and judgement, as will the other party in your negotiations. So one part of our journey will involve understanding why our greatest challenge in negotiation is ourselves and how, by nature, we see the world from our perspective rather than that of the other party.

The simple process of an exploratory meeting, patience and seeking to work *with* someone, rather than to assume and then impose ideas on that person, is key to understanding how others see the world and what their objectives are when both selling and negotiating. As an effective negotiator you need to be able to understand the dynamics of any situation from 'inside' the other party's head. Exploration and planning of this type requires a proactive discipline. This should come naturally once there is an appreciation of just how much better a negotiation can go if this is done well, and how, by understanding the *value of negotiation* from their perspective, you can be better equipped to perform.

CASE STUDY

Recently, one of our consultants was advising an account manager who was managing a European retailer. The account manager had attended a meeting with the retailer to present their company's latest investment strategy, which was to help deliver greater potential for profit. In effect, they were prepared to pay more money to the retailer in return for more space on the retailer's shelves and more promotions of their products. The investment proposition was financially strong, the numbers stacked up and the plan presented (to grow volume and mutual profitability) was well thought through. The problem was that the plan and the proposal had been created from inside the head of the branded manufacturing company based on what they wanted to achieve (more sales of their products) and not with their customer's current priorities in mind. They assumed that their customer's priority was increased profit, which was fair given that for years it was all they would want to talk about. However, changing market conditions had resulted in the retailer re-prioritising what was important in order to compete. The presentation was cut short and the expected negotiation to follow never even got under way. The retailer had already decided to reduce the number of suppliers they sourced from and were interested only in how the supplier could help them compete with other discount retailers who were growing market share at an alarming rate.

Challenge 2 – There are no rules

In negotiation there are no rules. No set procedures, no cans or cannots. Negotiation is often likened to a game of chess. The real difference is that in most negotiations you are not necessarily trying to beat an opponent, and are not restricted to alternate moves, as you are in chess.

Although there may be no absolute rules there are parameters within which we can operate. Most negotiators are empowered by their boss to negotiate but only to a certain level, beyond which discussions are usually escalated. Total empowerment results in exposure and danger because there are no parameters to protect us.

Challenge 3 – Knowing when you have performed well

How will you know how well you have negotiated? You won't, because the other party is highly unlikely to tell you how you might have done better or how well you performed relative to their other options. It cannot simply be measured by 'winning'; it's about the degree to which you have maximised the total value or opportunity. It might help to think of things relatively, based on where you have moved from on previous agreements, or to consider the market (how customers or suppliers are performing). However, if every situation is unique it is extremely difficult to gain an objective basis for measuring your performance against what might or what could have been. Every issue you negotiate will count and every variable that can affect the total value of your agreement needs to be included in your negotiation. Measuring your performance is always relative. It will also be about the degree to which the contract is honoured or performed against. It can also be about whether the assumed value of the deal is ever fully delivered: often even after you have signed the deal this measure remains unavailable.

So without the benefit of feedback from those we negotiate with, we have to rely on previous precedents (the outcome last time round), or absolute measurements (our profit and loss sheet), and have the humility to face such questions as:

- What might I have done differently?
- Might I have timed things differently?
- Might I have included other issues?
- Might I have tabled better thought-through proposals?
- Might I have not agreed so easily at the end?

Questions like these challenge how honest we are being with ourselves. A good deal has to be defined, taking all of the circumstances into account. Our ego can lead us to blame our circumstances when things go badly, and praise our performance when we think we have done well. By the time a deal is done, many of us just want to get on with implementation rather than reflect on our performance. Even if we know it's not a great deal but one that we can live with, many will find excuses such as:

- 'It's better than having no deal at all.'
- 'It was worth it just to know that it will be done before the year-end.'
- 'We had no options, so took the offer so that we could move on to other things.'
- 'Better now than later.'
- 'It would only have depreciated in value had I not sold now.'
- 'We took our competitors out.'

the price

A single issue which offers but one measure and is usually not representative of the quality or total value of the agreement.

Measuring the quality of your agreement, without acknowledging some of the risks or concessions that were made that have allowed for **the price** to appear like a 'good deal', is not measuring the total value, thus providing a true reflection of your performance. It is our honesty in self-review that needs to be encouraged if we are to truly measure the real value of our deals and learn from our performances.

No good, bad, right or wrong

In negotiation there is no good or bad, right or wrong. The economies we work in are dynamic as are our suppliers, customers and competitors. What was a great deal last week may be less well celebrated this week because our circumstances are continually changing. How well you negotiate will be measured by the outcome of your agreements. So negotiation is about doing things which are appropriate to each situation you face with the information as you see it at that moment in time. A better deal may simply be one that:

- recognises and accounts for change in the future;
- carries less risk or a shorter tie-in period;
- has a lower deposit or even a high specification.

This need not mean simply a better price. Even a better price may not be good or bad. It simply depends on the whole package and the way you pull this together.

Appropriateness

Knowing how a car was built and how it works does not make you a good driver. With so many obstacles on the road, the challenge is to be able to maintain confidence, navigate, interpret and, where necessary, respond to situations in the most appropriate way when there is no absolute answer which suits all situations.

The same applies to negotiation in business.

- Should you set out to compete or to work with the other party?
- Should you seek to manipulate the situation or collaborate instead?
- Should you trust them or work on being trusted by them?
- How will your options influence the balance of power?
- Is the perception of power and dependency between you and the other party based on reality?

In so many cases the answer is based on *appropriateness*; that is, the ability to adapt and respond, depending on your circumstances. This requires an objective, rational, balanced mindset: a state that few human beings can maintain for any meaningful amount of time, especially when faced with a degree of perceived conflict – even fear – and the need to negotiate. So what does this mean for you?

Appropriateness can relate to your behaviour, the timing, the agenda you use, the people you involve and the options you introduce. It can relate to any stage of your negotiation.

For example, starting an annual price increase negotiation with a customer in December may be inappropriate given that the change

comes into effect from January. Perhaps October would have been more appropriate. However, if your customer advises you in October that they are putting the contract up for re-tender and that you have been invited to enter a competitive tender process just to remain a supplier, it may prove inappropriate at that time to start positioning for a price increase. So the various circumstances that you face require you to weigh up the appropriate action required at that time.

The appropriate mindset to adopt in negotiation should be based on your own motivation and attitude. The motivation to perform has to come from a desire to maximise opportunity and value. Whether that includes cooperation or not (based on appropriateness), it is about managing the feelings, performance and position of the other party and there are many ways of achieving this, depending on your circumstances.

Challenge 4 – Nothing happens by accident

The essence of negotiation is doing what is appropriate for your circumstances. This means being conscious of everything which happens before, during and after your negotiation, because in negotiation nothing happens by accident; everything happens for a reason. Being in control of yourself, your emotions and the relationship is a critical attribute for a negotiator. The challenge is that these qualities do not, for most of us, come naturally. Negotiators need to develop their awareness to the point that they do not lose touch with the human sensitivities necessary to manage relationships and that they do not compromise, for the sake of personal gratification that is for their own comfort, or to remove the stress they feel surrounding the consequences of deadlock.

CONCLUSION

In summary, *The Negotiation Book* is about you. What I hope to provide is a thought-provoking insight into the reality of what it will take for you to become the Complete Skilled Negotiator. The more you understand tactics, strategies, behaviours, processes and planning tools, the better prepared you can become. Ultimately it is you, and perhaps your team, who will conduct your negotiations, you who will be accountable for your actions and the outcomes and you who may or may not act on the opportunities before you. It is you who will need to manage your relationships, emotions and the climate which so heavily influences possibility. If you have the nerve, the confidence, the courage and the motivation to change, I will remove the blindfold and share with you the amazing work that can lead to highly effective, creative negotiations with other people.

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