Successful negotiation is 80 percent preparation

How to get more of what you want by preparing properly

Clive Rich

How much time does your company spend business planning each year? If you are a typical company, especially a larger one, probably hours and hours are spent drawing up budgets and then monitoring progress against those budgets. How much time do you spend putting together marketing plans? Again, the answer is probably many hours as you seek to position and publicize your products and services.

The importance of planning in negotiation

Now let me ask you how much time you spend planning your negotiations when you are making deals? If you are a typical company the answer will be “not a lot.” Everybody is always too busy chasing orders, chasing new customers, chasing cash, and, of course spending time on business plans and marketing plans. Yet quality deal-making has never been more important. The recession and the global reach of new technologies mean that we live in a new “deal economy” where everybody needs to make deals with partners in order to succeed. Yet negotiation skills are seldom taught or practiced. This can mean people either lack confidence when they negotiate, or they negotiate from gut instinct – not really knowing why it has worked when a deal goes well, or what went wrong when a negotiation doesn’t work out. All of this means that preparation for negotiations is crucial – fail to prepare and you prepare to fail.

Key tips for negotiation

So what are the crucial things to bear in mind when you are planning your negotiation?

Review the teams

First, think about the make-up of the team on the other side. Who will they deploy? What’s their history of dealing with us, good or bad? Are they likely to be united? Are there any “tough guys” on the other side? These are people who pile on the negotiation pressure – for example using threats, aggression, deadline tactics, or playing “good cop/bad cop.” These people need to be planned for in advance. Now think about the same issues for your own team. How well do the players work together? Do you have all the expertise you need? Are you organized so as to prepare as a team?

Consider the attitudes

Then look at the attitudes on both sides. What attitude does each side bring to the table? Is it win/win or is there something more negative going on? If the other side is bringing a win/lose attitude to the table, or even worse, a mutually destructive lose/lose attitude, how are you going to change that?
Evaluate the bargaining power

Now look at the bargaining power on each side. Bringing a winning attitude to the table is often a function of properly understanding this dimension of the negotiation. Who holds the aces? When they asked the sales reps of Coca-Cola and the buyers of Sainsbury’s who held the aces in the negotiation to get cans of Coke racked out at Sainsbury’s, the Coke reps scored it 4-0 to Sainsbury’s and the Sainsbury buyers scored it 4-0 to Coke. Untrained negotiators often underestimate the bargaining power they have on their side by focusing exclusively on the “market power” of the other side. Yet there are many other sources of bargaining power, including expertise, information, the power of numbers, and access to influential networks. Marshal your bargaining power at the planning stage and you can feel positive about any negotiation.

Plan the climate

The next thing to consider is what’s going to be the atmosphere or “climate” in which the negotiation takes place? Effective negotiators consider whether they want the negotiation to be “warm” (with a friendly atmosphere), “hostile” (very pressurized and fast-moving), “cool” (very objective and data driven) or “wacky” (fun and off the wall). Different climates suit different kinds of negotiation. A cool climate might suit a negotiation about an audit. A hostile climate could sit a negotiation about a breach of contract. A warm climate might suit a JV negotiation.

Work out the wants and needs

Now you can consider the likely “wants” and “needs” on both sides. Good negotiators know that you can’t expect to engineer a win/win outcome if this stage is skipped in the rush to get to the “haggle.” It’s important that each party understands what the other side “wants.” “Wants” are organizational requirements like price, quantity and delivery dates. It’s even more important to understand what the other side “needs.” “Needs” are the underlying emotional requirements that each side has from the deal. These are critical to understand, because they underpin the whole negotiation, and yet they are often unspoken, so they are not easy to spot without a trained eye. Does the other side have a “security” or “reassurance” need? Are they desperate? Do they need to achieve something unique as a result of the deal? Do they need “respect” or “esteem”? Great negotiators invest time thinking about this at the outset.

Is there coinage available?

Once you understand the needs on both sides you can come up with “coinage” to meet those needs. “Coinage” is a concession that has a low value to the giver, but a high value to the receiver, because it meets one of their personal needs. Coinage is really useful when you move on to the bargaining phase of the negotiation. Indeed, it’s the currency that gets deals done. What can the parties offer to each other in order to close this gap? Are there low-value concessions which one party can give that have a high value to the other side because they meet a personal need? These kinds of concessions are like gold dust in any negotiation. Consider the timeless negotiating example of two sisters fighting over an orange. It’s the last one left in the bowl. They decide to split it in half, which seems fair enough. But afterwards they discovered that one sister wanted the juice of the orange for a drink and the other wanted the zest to bake a cake. So there was coinage on both sides that each could have considered at the planning stage in order to strike a better deal.

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Work out your best position and bottom line

Once you have your wants, needs and coinage worked out, you can look at what your “megawin” position is (your ideal position, which will comprise your opening bid), together with your “bottom line” position (the point at which you will walk away from the deal). The distance between these two positions gives you the space in which you can negotiate – and that space is far easier to define at the planning stage than when you are in the heat of the haggle. Look at any given episode of “The Apprentice,” and it often goes wrong for the contestants in their sales pitches because they haven’t worked out their bottom line in advance.

This works and here’s the proof

So, preparation for negotiations is key. In 2002, Bertelsmann bought the leading independent record company, Zomba, home to Britney Spears and Justin Timberlake. The asking price under a complicated pre-contract formula was some $US3bn. Zomba had spent the previous 18 months running internal team rehearsals for the negotiation on the price of their company, checking there were no holes in their boat. The net result was that the subsequent due diligence barely reduced the asking price at all.

So, preparation is an investment of time. Spend as much time planning your deal negotiations as you do business planning and making marketing plans and you will end up getting more of what you want.

About the author

Clive Rich is a professional negotiator who has made deals happen for the likes of Simon Cowell, Sony, the Royal Opera House and MySpace. He is also a trained mediator, and a practising media lawyer. He has designed and launched a successful iPhone app for negotiation, “Close My Deal”, which helps empower your inner winner. Clive Rich can be contacted at: clive@cliverich.com For further information, see www.cliverich.com