

## Reading 1.5

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# Successful Negotiating

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### Preparation

All negotiations have a life cycle—a series of stages to be traveled to ensure that the criteria for a good agreement are met. Applying a structure to the negotiation process can help you avoid potential dangers and address all your requirements, as well those of the other party, in detail. Before entering into any negotiation, you should consider the following five questions:

#### 1. What Is Your Objective?

- What should a good agreement include?
- What must you have?
- What are your expectations of the other party in the negotiation?

#### 2. What Are Your Limits?

- What level of authority do you have?
- Will you need to get clearance prior to final agreement?
- What is nonnegotiable ?

#### 3. Whom Are You Negotiating with?

- What do you know about them already?
- What can you find out about them?
- What might their requirements be?
- Will they bring any nonnegotiable areas to the discussion?

#### 4. Are You Dealing with the People Who Can “Sign Off” the Deal?

- Will they have the authority to sign the contract?
- Will they have any limits on what they can agree to?
- Will they need to get clearance from someone else before they can sign an agreement?
- If so, how can you help them to recommend the deal?

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## 5. What Would Be Unacceptable?

- At what point would you walk away from the deal?
- At what point would any short-term benefits of the deal be outweighed by the long-term costs?

### Why?

The first of the critical analysis questions, “Why?,” actually should be broken down into two questions: “Why am I doing this?” and “Why me?”

#### Why Am I Doing This?

You need to be quite clear what your desired outcome is for the negotiation. If you haven’t identified clear objectives for the discussion, the probability of your needs being met is diminished. You also should have specific requirements for the deal. For example, you may be meeting with a supplier to secure a lower price for your regular order because the market for the particular product has changed and you could get it more cheaply elsewhere. In such a case it would be essential to know how much of a reduction you want and what you would be prepared to accept.

#### Why Me?

The second question to ask yourself is “Why am I the best person to conduct this negotiation?” Think about the skills, experience, or knowledge that you will bring to the negotiating table. Does your relationship with the person you will be dealing with make you particularly suitable? For example, have you dealt successfully with this person before, or will you be responsible for the agreement during its implementation?

When answering this second “why” question, you should also consider the limits of what you can achieve. Consider whether other people would be able to help. Would it be helpful to have other people there during the negotiation? Are there other people with whom it would be useful to consult prior to the final agreement? Who will need to be informed once the agreement has been reached?

### Who?

You may be entering into a negotiation with someone you have encountered before or with someone who has no history with you or your company. Either way, you should take the time to find out something about the person or people with whom you will be dealing.

#### Know Your History

If there is an established relationship with the other party, do all you can to find out about them and what they are likely to bring to the negotiation. Know whom you are dealing with.

- What do you know about them, or what can you find out?
- Whom should you ask? Is your source's view likely to be colored by personal concerns?
- What are the interests, needs, and concerns of this person?
- What is the history of the relationship?

If there have been problems in the past, it may be wise to acknowledge these openly in the beginning. Stress that you have taken steps to avoid similar problems in the future, rather than hope that they don't bring them up. On the other hand, if they have had a good business relationship with one of your colleagues, acknowledge that relationship and stress that your intention is to continue it.

### Do Some Detective Work

If the person you are dealing with is a prospective new customer or supplier, it is still worth trying to find out something about them. Any information could help to strengthen your position.

- If they are a potential customer, are they approaching you as an alternative to any existing suppliers you might have?
- If they are a supplier, who are their existing customers? Does their customer base inspire confidence?
- Have they been given any industry awards or has there been any favorable press coverage about them recently? Most people are flattered by the fact that you have taken the trouble to find out something like this.
- Do you know, or can you find out, anything about them on a personal level? People like to be treated as individuals. It doesn't have to be anything very personal; just knowing what football team they support, for example, could help break the ice.

### Where?

Location may not seem like a very important issue, but it can be crucial. The fundamental question is "Your place or mine?"

### Your Place

The general rule is, if you are selling, you should go to the customer. You should be seen as the one making the most effort.

This is not simply a matter of courtesy. Visiting customers on their own territory can work in your favor. Surprisingly, people are usually easier to sell to when they are on their home ground. They feel more comfortable and relaxed and are, therefore, more receptive.

People are also inclined to be more polite when you are a guest in their office or home. This is why many financial services agents prefer to visit you at home.

Many people think—incorrectly—that the best thing to do is to invite prospective customers to their location so that they can show them hospitality. This is advisable for the second meeting but rarely for the first one.

## My Place

When you are the customer or are asked for your cooperation, you should expect the other party to come to you. Remember, though, that they are guests on your territory and treat them accordingly. Whether you decide to do business with them or not, the way you deal with them reflects on you and your company. You do not want to develop a reputation for being an uncourteous person with whom to do business.

## Neutral Territory

If you feel that there are grounds for conflict, it may be better to meet on neutral ground. High-level diplomatic negotiations, for example, are often held in neutral countries. Internal negotiations may be an exception to the “your-place/my-place” rule. Booking a meeting room can ensure that neither side feels at a disadvantage.

## When?

Timing can be crucial. The best time for the negotiation to begin is when everybody has been fully briefed and knows what to expect. Make sure that you, your colleagues, and the other party have all been given a brief outline of the issues you will want to cover, and let them know when you intend to call or meet with them. If you are dealing internationally, remember to take the time difference into consideration.

## What Time?

Even a detail, such as the time of day when the meeting takes place, can make a difference. Don't be tempted to play the power game of asking for breakfast meetings at impossibly early times, just to give the impression that you are extremely important and busy. This will irritate everyone else.

Schedule meetings for a time when everyone is relaxed and at their best; midmorning is usually a good time. If the discussions are likely to be complex, don't try to fit them all into one meeting, as people's concentration will start to flag. Allow plenty of time for breaks in an all-day meeting, and remember that people will not be at their most alert after a heavy lunch.

## Ready or Not?

Do not be pressured into a negotiation before you have had time to prepare. Reschedule if you are not ready. Equally, you should resist the urge to pressure the other side just because you are ready. This is particularly important if you are negotiating over the phone: Always check that it is convenient for the other person to deal with the matter at that time. If you interrupt them or catch them unprepared, it can make them less inclined to cooperate.

## What?

The next question in your critical analysis is, What do you want to achieve? The answer to this may be simple—“I want a stereo system with reasonable sound for less than \$300”—or it may be more complex, involving issues of cost, quality, variety, delivery, and more.

## What Do I Need?

If your negotiation is of the more complex kind, make a checklist of what you need from the agreement. For example, suppose a shoe retailer is looking for a supplier of women's fashion shoes. Concerns might include

- Price.
- Profit margin.
- Quality.
- Wide range of styles.
- Wide range of sizes.
- Ability to fulfill orders on short notice.
- Discounts for large orders.
- Guaranteed delivery dates.
- Guaranteed stock availability.

## What Is Most Important to Me?

The next step is to prioritize your checklist into what you must have, what would be useful to have, and what would simply be nice to have.

These will depend on the situation. In the case of the shoe retailer, a “nice-to-have” term might be the ability to fulfill orders at short notice. However, if they were buying sandals, and sales varied from one week to the next according to the weather, then that issue might be more important, even becoming a “must-have.”

## What Am I Prepared to Give?

An additional area to think about is what you are prepared to concede in order to do the deal. You might decide that discounts are not a crucial factor, and that you would be able to forgo them in return for something—perhaps a guarantee that prices would not rise before a certain date or an earlier delivery date.

## How?

The last of your critical analysis questions is “How?” There are so many means of communication now that you have more choices than ever before. You can negotiate

- Face-to-face.
- Over the phone.
- In writing—by letter, fax, or e-mail.

## Face-to-Face

Meeting face-to-face can provide you with vital evidence about how the person you are dealing with feels about the situation. This evidence—provided by tone of voice, facial expression, and body language—is missing in any other form of communication.

## Over the Phone

Because nonverbal signals are missing when you talk to someone on the telephone, it may be best to reserve this method for negotiating with people you know well. It is usually helpful, however, to supplement face-to-face discussions with telephone calls, just to confirm details or check progress.

## In Writing

Face-to-face dialogue may be best, but written communication still plays a vital part in negotiations. Written briefs, summaries of proposed agreements, and minutes of meetings all have their role to play.

A disadvantage of written communication, however, is that your tone can easily be misinterpreted. For example, if the recipient has had a bad day, he may take offense at a message that you believed to be neutral in tone when you wrote it.

## Nonnegotiable Items

The phrase “everything is negotiable” is not really true. In any deal you need to be clear that there may be certain restrictions. Some things cannot be offered within a negotiation, because negotiating around them at the outset will lead to problems later.

## Standards

Such nonnegotiable items are often known as *standards*. Standards are objective criteria that bring independent measures of fairness, efficiency, or scientific merit to the process of the negotiation. Ideally, they should exist independently of the negotiating parties and be both legitimate and practical. It is vital that you recognize these standards prior to your negotiation, and it may be helpful to express them explicitly at the opening stages of the discussion.

## Legal Requirements

A contract may have to follow a specific format to be legally binding. Sometimes certain licenses or permissions need to be obtained prior to agreement. For instance, a firm that prints T-shirts could not undertake to produce shirts with the image of a copyrighted character without obtaining the necessary permissions first from the copyright holder. A contract that required one of the parties involved to break the law would be invalid. For example, it would be illegal for a recruitment agency to enter into a contract that required them to discriminate against certain groups, where the law forbids it.

## Health and Safety

Contravention of safety requirements could lead to prosecution or personal liability claims and make any insurance policy invalid. For example, a transport company could not offer delivery schedules that would involve their drivers working longer than the legal maximum shift. As another example, a toy company could not offer to cut costs by modifying their toys in a way that would compromise their ability to meet safety standards.

## Overhead Costs

Some overhead, such as the costs of materials or labor (particularly if there are minimum wage agreements) may be unalterable. Time—for example, the staff time required to service a deal—is often forgotten as an overhead cost.

## Professional Codes of Conduct

Many professions and industries have regulatory bodies that establish codes of conduct. Practices that break these codes could leave an individual or company open to prosecution or steep fines.

For instance, a hospital might agree to sell information on its use of drugs to a pharmaceutical firm carrying out market research, but it could not provide any patient details, as that would break confidentiality. To cite another example, a builder might have to refuse to install stairs or a bathroom in a particular space because it would not comply with building regulations.

## Market-Value and Market-Rate

The perceived value of goods and services is often a matter of opinion and subject to change or the laws of supply and demand. However, in some cases, values may be determined by an external body that decides what is fair and reasonable and widely accepted within an industry. In such cases, it will become nonnegotiable.

## Ethics

Very few people would be prepared to enter into an agreement that involves what they would consider improper practices. These could include breaking the law, betraying confidentiality, undercutting competitors, deception, endangering people's safety, or unfair treatment of employees.

## The Escape Hatch

Having considered all of the critical analysis questions, you should consider the point at which you might decide that agreement will not be reached. When would the cost/benefit equation not make sense for you? What stipulations in the contract might make delivery very difficult or impossible?

It may seem negative to think about what would kill the deal, but preparing for it and having your “fall-back” position ready can help you to feel and behave more confidently.

## Prepare a “Parting Shot”

If you reach deadlock in a negotiation, your main objective should be to exit with dignity. You should leave the other party with the message that, even though doing business is not possible at this time, you would be happy to try again at a later date.

Even if you feel that your time has been wasted, you will need to keep your cool; a display of temper or sulking is unlikely to create the desired effect. If the other party has

behaved badly and you feel you never want to do business with them again, you should still treat them with respect. Remember that your behavior should reflect well on you and on your company.

### Prepare a "Fall-Back" Position

As well as deciding what would be unacceptable, you should also have a plan in case the negotiation breaks down. If you are the customer, consider whether

- There are other suppliers who could meet your needs.
- You could strengthen your position by talking informally to them prior to the negotiation.

If you are the supplier, consider whether

- There are other markets for your goods or services.
- You can recoup any investment made in researching or preparing your proposal by using your knowledge to approach potential customers in the same sector.