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Everything is
Negotiable, and
Everything is a
Negotiation:

A manager's guide to getting
the most out of agreements

Everything is Negotiable, and Everything is a Negotiation

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Everything is a Negotiation

Coming to agreement on what to have for dinner is a negotiation. We negotiate when to meet and how to spend the evening. Any time you want to influence the way people act or decide, it is a negotiation. Most of the time you are not even aware of it. Every request for a holiday, every task assignment, every decision involving the agreement of others is a negotiation.

To negotiate is to come to agreement. It involves discussion between at least two parties, with the objective of reaching a mutual settlement on some matter or issue. Every situation that requires agreement is an opportunity to negotiate. Every agreement had the potential to be a negotiation, whether you negotiated or not.

Everything is Negotiable

When shopping at exclusive clothing stores where prices are clearly marked, are the prices fixed or are they mere suggestions? Junior sales clerks probably think the prices are fixed. Senior staff will know better.

What people fail to do in most purchase situations is "open the bidding". Offer to buy an entire outfit if they take 20% off the price of the coat you have been looking at. If the clerk you are dealing with does not agree or take your offer seriously, either ask to speak to someone more senior or raise your bid. Offer to buy two complete outfits instead of one. Keep "upping" your offer until you find their breaking point.

Of course, the store's management may not negotiate until your offer is very generous. You may be required to spend \$2,000 on footwear to receive a 25% discount on sweaters. However, once management gives you a number, the bidding is formally open and haggling begins.

Ultimately the best deal you can get may not be good enough. Both sides then walk away. You haven't lost anything by asking for a discount, but they have lost your business by not meeting you halfway. A smart store manager would not let you leave empty-handed.

The point is that everything is negotiable. Some people just do not realize it. It may not always be worth the trouble to negotiate a lower price or a different deal, but the option is there if you have the patience.

Recognition is Key

Savvy businesspersons know that prices and conditions are never fixed. Everything is negotiable, and all transactions are negotiations.

Professional managers need to become proficient negotiators. Every situation needs to be gauged in terms of one's bargaining position versus the position held by the other side. Excellent managers learn to make every transaction an active, conscious negotiation because practice makes perfect. Negotiation is a skill you develop.

Overview

In this paper we will discuss the following principles of successful negotiations. If you understand and heed these fundamentals, your negotiation experiences will be more pleasant and more successful.

1. Let everyone win
2. Ignore stated policies and rules—everything is open
3. Get their attention—show them you're serious
4. Never believe opening claims
5. Always have a partner—never work alone
6. Give yourself multiple options
7. Cast a big shadow
8. Be patient—let them cave in
9. Prepare—know what is important to them
10. Shut up—let them talk while revealing nothing yourself
11. Keep it private
12. Negotiate from their perspective
13. Money isn't everything
14. Know what you want—and do not become greedy
15. Meet on your home turf

1. Let Everyone Win

Negotiations do not need to be, nor should they be, battles. The vast majority of negotiations are between yourself and someone with whom you are working and with whom you will be negotiating again. It does not make sense, in the long term, to treat each negotiation as a win/lose proposition.

The art of negotiation is to reconcile what constitutes a good result for both sides. Both sides need to come out ahead. Having one side lose only creates animosity and vengeance motives for the next negotiation.

Whether or not a negotiation results in a loser is entirely dependent on the way negotiations take place and how the results are packaged. One's perspective on the outcome has almost nothing to do with the terms of agreement. If you think you were cheated, you were, whether you got what you came for or not.

Successful negotiations occur when both sides are satisfied, feeling that they received a fair enough deal. This requires that the final agreement be packaged in terms that are equitable.

Good negotiators never gloat; they always leave the other side feeling like the winner.

Knowing what you want from the negotiation is vital. Compare what you want with what they might want and look for a crossover. Enter negotiations with compromise in mind. It will ease the process and make everyone happier.

2. Ignore Stated Policies and Rules—Everything is Open

If someone tells you "policy does not allow . . ." or "that is not how we do business", then they are either bluffing or not senior enough to know better.

Imagine that you are completing the final details of an equipment purchase with a big customer. The purchase price has been set and you feel the deal is essentially complete. Then the buyer throws a curve. She claims to have assumed from the start that the purchase price included shipping costs, whereas you know that shipping costs are always a separate cost.

You explain your store's policy. "Maybe I should have mentioned it before, but all price quotes for capital goods are to be FOB our plant. You should have been told that. I can't pay for shipping. Our company's president has made that very clear."

What is the buyer doing? She's using shipping costs to re-open price negotiations. She wants free shipping to be thrown in and is hoping you will capitulate.

Smiling pleasantly, you might respond with, "Well, you can take delivery of the machinery at our plant at the price we agreed, or I can figure out what the cost will be with shipping included." There is nothing you can do but accept that price negotiations have been reopened. Ignore policy claims and patiently start over.

3. Get Their Attention—Show Them You're Serious

A negotiation that is important to you may not be important to the other party. Set the parameters early. Get their attention. Let them know that you are serious. Force them to take you seriously.

There is nothing worse than negotiating with someone who does not take you seriously, because they are not going to bother negotiating. The other side needs to believe that you will walk away or can hurt (figuratively speaking) or help them in some way. Make sure they know.

"Either we get a window table or we'll just go somewhere else, and you can cancel our reservation."

"If we can agree on this, then I am sure the fleet manager will include your company in next year's bidding list."

Spell out what you are negotiating, and what the upsides and downsides are for the other party. Be blunt.

4. Never Believe Opening Claims

Opening bids or claims are always either very high or very low. Don't be offended or confused by this. You should come up with your own reasons to justify an equally outlandish opening bid, then let the haggling begin.

For example, say a saleswoman is standing outside of your office. She is just ending a cell phone call, speaking loudly enough for you to hear. "I am certainly going to try. Yes. Yes. If we can. We are pretty backed up. Okay. Can I call you back? I am at a meeting. Thanks. Bye."

She rushes into your office, all smiles. "Sorry about that. The orders are starting to get backed up. It's good, though." She sighs and falls into a chair. "That is why I called; we want to schedule you in while we can."

What are you expected to think? That business is brisk and you need to order right away or take a chance on late delivery.

Should you believe it? Not for an instant. Assume the scene was staged. It would have been easy for her to avoid that scene so it must have been intentional. Take the position that she is already negotiating and has made an opening bid. You need to make a counter offer.

"Well . . ." (pause) "if its going to be a problem, we could just deal with (insert name of one of their competitors). They were just here, but I put them off." (Try not to smile. You can expect a quick turnaround in the "capacity".)

5. Always Have a Partner—Never Work Alone

Some people believe you should never negotiate for yourself, others that you should never negotiate by yourself. Whatever your preference, never negotiate without a silent partner. Always explain that there is another party, not present, with whom you must confer before a final decision can be made. This party, and their influence on the decision process, can be real or imagined. Either way, their existence helps prevent rash decisions and opens up a variety of bargaining strategies.

For example, you are given a salary offer from a prospective employer and are pressed for a quick decision at the end of the meeting. It might seem rude to merely say, "I will think about it", but that is exactly what you need to do. Quick decisions are poorly made decisions.

You need to put the decision off in a managed, polite way and leave room for counter offers. "I think your offer is a good one, but I can't give you a final answer until I have discussed it with my wife (accountant, lawyer, etc.). If you are a skilled negotiator, you might even hint that there is another job offer on the table that prevents you from making a quick decision. This sets the scene for an extra high counter-offer.

Having a silent partner gives you time to think and strategize ways of improving your position. Having someone in the background (real or imagined) allows you to voice concerns (bargaining issues) about a deal, without appearing to be hard-nosed and greedy yourself.

A silent partner allows you to play "good cop", with your partner being the "bad cop". The hard bargains are voiced in the context of another person who is always demanding a better deal. "I think it's a pretty good offer, but Harry prefers to deal with his own realtor. Is there any way you could reduce the commission to beat his realtor? Then Harry would not have anything to complain about."

Silent partners are very useful tools.

6. Give Yourself Multiple Options

If there is only one outcome (one set of conditions) with which you will be satisfied, it will quickly become obvious to the other side and it will cost you. Having only one option makes you desperate.

Imagine that you really, really, really want the first two weeks of July off. Unfortunately it is the most popular vacation time for everyone in the company. You know it will be tricky to get what you want. You also know that you are just as deserving, maybe more so, than everyone else.

Before meeting to discuss the schedule, come up with workable alternatives: Would three weeks in August be almost as good? Would one week in early July and one in late July be good enough? How about all of December off?

Think about the outcome of the negotiation from the perspective of the other side. You expect to get the first two weeks of July off but would give them up in exchange for what? What do you deserve to receive in exchange if you can't have vacation in the first two weeks of July?

The more options you create, the better your bargaining position will be. Never show them that you are desperate. If there is something that you must have, never let on what it is.

7. Cast a Big Shadow

A salesperson will haggle for days with a purchasing agent over the price of paperclips. If the CEO gets on the phone, the same salesperson immediately caves in. That is the effect of clout—the size of someone's shadow. The bigger your image, the more others defer to you.

The more expertise and credentials that are on your side, the better your shadow will look. Practiced negotiators claim to have lots, but most are wildly exaggerated.

The shadow of one's position can be extended by taking the moral high ground, that is: claiming to have fairness on your side. You can also invoke company policy, tradition, and cultural norms as being on your side. They all make your side loom larger, particularly to novice negotiators who do not know better.

Ignore other people's claims to credentials, morality, and traditions while exaggerating your own.

8. Be Patient—Let Them Cave in

No one wants to put weeks of time and effort into negotiations only to have the deal disintegrate at the last minute. The longer that negotiations go on the harder it is for some people to let them fail; the players become more desperate for a deal. Take advantage of the other's impatience. Let the other side pay (give a concession) for "sunk costs".

Do not get trapped into thinking that sunk costs are a reason to come to an agreement. Let the other side believe it, but not you.

Many one-sided agreements have been reached because one side dreads the thought of going through the same negotiating process with some other group. They give in because they are either lazy or worried that they will look incompetent unless a deal is reached.

Do not let sunk costs force you into a deal with which you are not happy.

Brilliant negotiators are patient. Patience pays.

9. Prepare—Know What is Important to Them

Skilled negotiators get ready. Preparation time can be as little as a few minutes to as much as several days of making notes and thinking about strategy. Some kind of preparation is always necessary, and preparation time is never wasted.

It is impossible to be over-prepared. The more significant the negotiation, the less likely you are to be fully prepared.

The key to preparation is learning as much as possible about what the other side wants and needs. Knowledge is power, and it is particularly powerful in negotiations. If you know what they want then you do not need to negotiate; you can dictate conditions. The more you know about the other side's needs and desires, the better your bargaining position will be.

Negotiation would be unnecessary if everyone's position were clear. The act of negotiating is the process of learning what the other side is after—this process reveals the other side's position. With each successive offer and counter-offer you learn more about what the other side desires. The more that you know at the outset, the less you need revealed during the negotiation process.

If it were possible for both sides to be truly honest in a negotiation, everyone would be better off. Unfortunately, it is not possible. That is why we negotiate.

Preparation is the key. Find out all you can about the other party, how they have negotiated in the past, what they wanted, and who was involved. Any and all information will be useful to you.

Keep in mind that there are many aspects to even the simplest of negotiations. For instance, the price of a particular service or product may be the primary negotiation issue. However, there are always peripheral issues that serve as negotiating chips. If you give in on price, will they throw in a generous service agreement? Will they deliver immediately? Is there a generous warranty?

Be aware of the people with whom you are dealing. Find out what is important to them, not just with regards to core issues, but also peripheral issues, which can make or break an agreement.

If you know what is important to them but a minor issue to you (such as delivery date), plan to give it to them. In exchange, you can expect to gain something really important to you and of minor importance to them. Plan on a compromise, and everyone will benefit.

10. Shut up—Let Them Talk while Revealing Nothing Yourself

Err on the side of saying too little. To quote a World War II slogan, "Loose lips sink ships."

The less the other side knows about your position, the more they are forced to give up (by revising their offers) to learn what you want. Let them be chatty, but remain tight-lipped yourself.

Any kind of confession is a mistake. A sudden burst of honesty can be a killer. "If we don't finish today I'm going to look like an idiot." "All I am really after is" Never show your weaknesses.

Never say what will happen next if this or that happens. "If we do not get that, we are wasting our time." The implications are too revealing of your real position.

Leave them wondering; even if you are about to burst.

11. Keep It Private

Private negotiations are best. Whenever the substance of negotiations becomes public, negotiations become constrained.

The perfect example is union-management negotiations. As soon as one side has publicly declared their position, the other side must do the same or appear indecisive. The outcomes of the negotiations are ultimately judged on who did or did not give ground relative to the position that was declared at the outset. Knowing this, both sides dig their heels in and refuse to be seen as the "loser".

When negotiations are kept private, there is more room to negotiate. There is greater flexibility on issues because the results of a negotiation can be packaged to meet the needs of both sides. One side can be allowed to win in private and the other in public. Both sides can come out ahead.

For example, in a salary negotiation, an employee wants a 10% raise. The supervisor is willing to meet the 10% for this exceptional staff member, but not if everyone else in the department will be asking for the same increase. To accommodate each other the employee and supervisor agree on a 5% "raise" and an increase in a holiday bonus to make up the other 5%, which amounts to the equivalent of a 10% salary increase. The agreement is announced to other staff members as a 5% pay raise. Both sides win.

Privacy leaves doors open.

12. Negotiate from Their Perspective

When negotiating, wear the other side's shoes. Instead of saying, "This is good for me," refer to the same point starting with "The reason this is perfect for you is" Sell your offer to them by phrasing it from the perspective you want them to take. Help them to buy it.

Sell your offers to them, don't just deliver them. Package offers so as to meet the needs of the other side. Repeat how good the offer is for them.

An opening bid should be packaged so as to meet everyone's needs. Phrase it as a compromise; include benefits to both parties. Explain how the offer works for everyone. Make it as accommodating as possible.

13. Money Isn't Everything

Appearances should not be overlooked as bargaining issues. Money is not as important to some people as is appearing to have won. To some people, ego, self-esteem, and image matter a lot more than money. Find out how much they matter (to either side) and include them as variables in the negotiations.

If you are negotiating with someone who has a notoriously big ego it can work in your favor. Figure out how to arrange the deal to let him publicly win while you get everything you want in private.

14. Know What You Want—and Do Not Become Greedy

Deep into negotiations it is easy to forget what you thought was a good deal before the bargaining process began. Decide in advance what you would accept (as a minimum), what you would be content with (your target), and what would be a great deal. Keep reminding yourself of these during the negotiations.

Never go below your original minimum and don't try for the moon. If you become greedy it delays the conclusion and sets someone up as a loser.

Before starting, develop a set of negotiation points that you consider important. Do not change your objectives just because it is possible to squeeze more out of the other side. Let them win too.

15. Meet on Your Home Turf

It is always best to meet on your home turf. It gives you a comfort advantage, which is not necessarily a big deal, but every advantage helps. If you meet on their home turf, consider it to be your first concession.

Conclusion

Most people under-negotiate. They pay too much, give up too much, and agree too readily. Savvy managers recognize every discussion, assignment, and suggestion as a negotiation. They develop negotiating skills by practicing every day.

The objective is not to win every time, not to squeeze everything out of every deal, but to learn how to create winners on both sides.

And of course we practice for the big ones. When the stakes are high everyone wants to have the confidence of experience. Don't remain a novice until it is too late. Practice every day. There is no shortage of opportunities.

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