



Business Success

STRATEGIES

NEGOTIATING AND NEGOTIATION

If you have ever traveled to a vibrant City in South East Asia you will have most certainly been approached by a street vendor selling “branded” watches offering you a Rolex for \$20. These guys are great negotiators – when – you show any interest. My first business trip to Hong Kong, over 30 years ago, introduced to me the great art of street-negotiation.

One of my biggest as well as riskiest ventures in the 80’s involved a series of negotiating deals over a 6-week period. I had good motivation: if I did not succeed I was ‘dead in the water’ from a business perspective. I had initially negotiated a large portfolio of property that included a cinema housed in the Former Town Hall, a hotel, and dozens of properties with sitting tenants and shops.

The portfolio had been built up by a tough former ‘traveler’ who had been forced to sell due to another deal he was involved with turning sour. I negotiated the finance – well at least the deposit of 10% as I was confident that I could back to back some of the deals contemporaneously (sell the contracts on at the same time as I completed). Because of my knowledge of the portfolio vendor’s situation I tried to negotiate accordingly – wanting an even better deal than first offered – by attempting to use that knowledge.

The guy was a brilliant negotiator, because despite the fact that he had to sell to save his own bacon, he stormed out of the room, ‘effing and blinding’ about me screwing him down at the point of signing. ‘F... You! The deal’s off!’ he yelled. You see he knew something too.

The Hong Kong street vendor selling the ‘Rolex’ has a built-in radar for when a customer actually wants something. When you are not in the slightest bit concerned whether you have the watch or not, you take command of the negotiation. The Street-Vendor still sees you as the best instantly or only available customer on the street at that time, and knowing that tenacity beats eloquence every time, pursues you – offering lower and lower prices until he is ‘giving the watch away for just 2 dollars.’ He still makes a profit and actually only wanted to sell for \$10 dollars. His business model works on the fact 9 out of every 10 buyers will pay \$100 dollars for the perceived value a branded ‘Rolex.’

In other words when you can walk away from a deal, you own the negotiation. When you have need, they own you. As the Italian Proverb goes: *It is the same in love as in war; the fortress that parleys is already half-taken.*

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Back home my Traveler-Vendor knew how things worked too. He knew that I did not want such an array of different properties, just the jewel in the crown – the town centre building, which is why it had been put in the portfolio. The other properties with sitting tenants were hard to sell. He guessed that I would have already been selling them on and agreeing terms – which I had, as I had NOT been able to negotiate the equivalent of millions today required for the completion of the deal.

I wanted it and I must have unwittingly revealed that, as we all do when we really want something, unless we either develop a poker face or employ another to negotiate on our behalf, someone who has not got the same emotional attachment as you have to the deal. Traveler called the deal off. Thirty minutes later he allowed himself to be persuaded by his lawyer to return to the room and we shook hands on the original deal and exchanged contracts. He got what he wanted and I actually got what I wanted, but I learned not to change a deal at the last moment – even though it is the very best moment, unless you can afford to walk away too – and forget it.

I now had to sell the equivalent of over 3 million pounds worth of property within a few weeks so I had could retain the jewel in the crown of the large Town Centre Property But I had learned from that tough traveler, that no matter what your situation, you only get what you negotiate and you have to be prepared to go down for it. If not, then the other party will know it. I negotiated every deal, the last involved selling the hotel with literally minutes to spare – actually I did enter the notice to complete period, which means that if I did not complete within 14 days I would lose the deposit and the deal.

The hotel, which I would have preferred to have kept, was negotiated in the sawdust basement of an infamous sherry house in Old Broad Street, London to a city-trader that wanted out of the rat race and dreamed of running a country hotel. City traders are hardened negotiators but also big drinkers – always keep your wits about you. He paid three times the price that I had paid, yet was well pleased with the deal he had negotiated. As I was too: Win: Win situations are always the best.



A year later I negotiated purchase of land from a dealer that had acquired an option and was selling it on. My timing for planning the meeting, which I had purposely postponed several times was right as I knew he had only 24 hours left for his option to run out.

It was a great deal for me but I had decided in advance to pay the price I wanted or to walk away. He knew I had him and 6 months later I sold the land with the planning I had negotiated for it for the equivalent today of half a million pound profit. Always know your position and be able to walk away no matter how good the deal is.

Ultimately there are no firm rules, other than an absolute firmness of purpose and a firm knowledge of what you want to achieve, and what you are prepared to concede as a negotiation to get what you want.

However, I have detailed below all the professional good practice skills, requirements, methodologies, and style that ensure successful negotiation with alignment to your values and reputation.

1. Negotiation is an interactive process of communication. Though it is part of everyday life, negotiation it is not an instinct – and, as with every form of communication – it is a learnable skill.
2. To the degree that a person is either an effective or poor negotiator is in direct proportion to how seriously they have chosen to apply, practice and hone this learnable skill.
3. Good Negotiation is based on an aim of win: win – in line with your strategic ambitions and reputation as well as your clients' requirements and your relationship with them.
4. You must aim to be fair, but above all, firm. Fairness comes in when you may compromise on a dispute between colleagues, or allow flexibility on your pricing process, but you will not compromise on your values or reputation.

This following 3 – Part Module is specifically designed to illustrate best practice.

PHASE 1: The Preparation

Proper Preparation Prevents Poor Performance.

- Always Prepare. When you fail to plan you plan to fail.
- The professional plans 10 times more than the average negotiator.
- Preparation assists quick and decisive thinking - a key dynamic in Negotiating.

Gather information and evaluate leverage to understand your and the other party's position, issues and expectations.

Establish objectives and expectations so you are clear about what you will or will not accept.

Example:

- What do we want?
- Where do we start?
- What is our desired outcome?
- What will we concede?
- How do we close?

Objectives are as effective as the commitment behind it - make certain they are justified.

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Consider your questions – whether open, closed, probing, leading, or hypothetical; questions planned in advance will elicit information and gain advantage.

Make a Plan and write an Agenda – articulating your objectives and expectations confirms your understanding of what is involved, required and builds confidence.

For example:

Opening offers: What is the best offer we can justify?

Subsequent offers: What adjustments will be required?

Tactics: What sort of tactics will we employ?

Concessions: What concessions will we make?

Resolution: What is the best way to resolve the problem?

Role Play or Brainstorm whenever possible. This allows you to test your questions, be flexible if objectives have to change and reaffirms the limit where you will and will not concede.

PHASE 2: The Logistics

Know when, where and how will you negotiate.

There are three types of negotiation to consider in **Choosing a Strategy**:

1. **Distributive or Aiming to win**, though you may not end up with maximum benefit.
2. **Integrative or Aiming for a win : win**, where you act fairly seeking benefit for all.
3. **Analytical or Aiming to solve** a problem the best way, irrespective of who wins.

The key factor is always to consider the value to you and your business, not the cost.

Losing something that is more valuable than money, be it a talented employee, a reliable supplier, or our reputation, is not a worthy outcome.

Cooperative negotiators are more effective than competitive negotiators, but don't let your guard down.

As **Communication is key** the best negotiations are always face-to-face.

Remember to **Seek to understand** what the opposition wants to achieve.

Stay Objective without becoming focused on the players involved.

Wherever possible always **Set an Agenda in Advance**.

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PHASE 3: The Negotiation

Look the Part – Invest in your appearance – posture and image do count – appearing confident stimulates others to have confidence in you. Maintain your energy level. Talk positively.

First impression – Your handshake reveals more than you could imagine – make it good.

Maintain Confidence throughout. People buy confidence.

Confidence comes from knowing your business and the value you bring.

Body language accounts for the major part of a conversation – Be aware of your own and theirs.

Establish Rapport and build on that foundation. Modulate your voice accordingly. Relax.

Maximize communication – as it is the life-blood of negotiation.

Identify and address minor impediments such as noise or time.

Use your questions and understand their listening style.

Listen to their questions and understand your own style – is it logical, practical, receptive, enthusiastic.

Is it patient?

Seek to understand the other's perception, withholding judgment as you listen.

Play it straight, ask your questions and listen carefully and patiently to what is being sought.

Ask how they might wish to resolve the issue – they will feel valued from your enquiry.

Maintain eye-contact – it helps you to listen and encourages further information.

Demonstrate you understand what they have said – paraphrase the points that have been made.

Stay attentive for compromise and possible solutions – they are always present yet missed.

Read the signals – Check for consistency that what is being said is congruent with body language.

Make Notes – Helps to discipline your listening and capture new points that arise.

Maintain command – this can mean within your price range, your delivery time or your profit margin.

If you fail to do so, you will end up on the wrong side of the agreement.

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On this point here is a very important tip. When it comes to price, don't say what it is. Most people's voices actually change even if ever so slightly, as if they constrict, when asking for something at the most important time – such as finally naming the price. The best way is to write it down and pass it across.

In any situation when price is the culmination of a negotiation it is so much more effective when written down and passed across. It displays that thought and professionalism has gone into its calculation. It also allows you to observe their reaction without having to concentrate on your delivery of the price / offer.

Aim high from the start – it is always easier to play down later yet nigh impossible to go up.

Remain flexible in case the direction is unexpectedly altered or alternative objectives arise.

This is where your preparation comes to good use: knowing your limits and the other party's needs.

Making concessions stimulates the other party to respond similarly and can be the key in finalizing an agreement. Always consider compromise unless it undermines the 'walk away' limit you have set.

Make concessions conditional on receiving them in return. Concede reluctantly in small amounts.

Saying No – Always be firm, explain the reason why, and offer an alternative.

- Consider the possibilities generated.
- Focus on interests, not positions.
- Separate the people from the problem.
- Never close an agreement until you are happy.
- Know your 'walk away' from the table position.
- Pay attention to details, but don't fuss with minutiae.
- Timing is important. Neither push hard, nor delay too long.
- Take time out to diffuse tension if required.
- In closing seek to record the agreement.
- Confirm final agreement.
- Shake hands and go – prevarication in conversation ignites reconsideration

Factors where you can Maximize your Leverage

- **Credibility** – in the form of rank, expertise, connections, personality.
- **Situational** – as to where you sit and hold the meeting.
- **Resource** – where what you offer is what the other party needs or values.
- **Always display self-control and patience.**
- **Write your price / offer and pass it across the table.**

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Techniques to Beware and Be aware of:

- **Remaining silent** can encourage further disclosure.
- Misunderstanding of position to encourage clarification.
- **Exaggerations** such as: always, never or impossible.
- **Controlling Time** – slowing down, speed up to apply pressure, suggest a break.
- **Using stories** with overt and covert meanings.
- Including misstatements in summaries.
- Using a screen for own ideas: *Experts say..., Other companies do..., Research shows...*
- **Offering options** and thus limiting the choices.

Testing the foregoing knowledge is the key to successful negotiation.

Debriefing and reviewing with colleagues will give you a clearer understanding of your preferred style and what works best for you. Then practice until you apply them without conscious thought. Remember to prepare thoroughly in advance and remain professional and positive in your thoughts and actions.

Also accept the following:

- Most people are very bad at negotiating, including those people sitting across the table from you – though never under-estimate anyone.
- Tenacity will always overcome eloquence.
- Most negotiations are not necessary and are often the excuse for another meeting.
- Therefore only ever deal with decision makers, when it involves you or your business.
- To negotiate with someone that is then going to report back weakens your position.
- However, you can employ the tool of: “I will need to talk to my partner / colleague etc first and get back to you” very effectively.

If in any doubt whatsoever, walk away from the deal.

By the way, I never wore the \$10 dollar “Rolex” It had already stopped working before I got home.