

THE SECRETS OF POWER NEGOTIATING

By Roger Dawson

I. Overview: The Facts about Negotiations

A. Remember:

1. You are negotiating all the time. Practice your skills in situations where outcome is not important so you will be comfortable when it is. Learn to make others feel like they are winning in negotiation.
2. Everything you want/need is owned/controlled by someone else therefore need to study negotiating.
3. Understand there are predictable responses to gambits.
 - a. If you say yes to first offer, you set up a predictable pattern for rest of negotiation
 - b. If other jumps at offer you thought was way too low to consider, you will have two predictable reactions: (1) I could have gotten more; (2) What is wrong with the product that they would go for it at that price?
4. Three factors to all negotiations:
 - a. Time
 - b. Information
 - c. Power
5. People are different. Need to know your own/other's style and body language.

B. Win/Win - Work out problems. Arrive to a point where both can win.

If the only issue is price, there can be no win/win. There are three critical negotiating factors:

1. If narrow down to one issue, someone has already won. Therefore don't narrow down to one issue before you settle.
2. People don't want the same thing, so don't think they do. Price is not always the dominant issue; therefore find out what other side wants.

Note: There is seldom a right/wrong in negotiations, only different perspectives.

3. Don't assume they want what you want. Ask them what they want.
 - a. Learn as much as you can about the needs/wants of the other side.
 - b. "No" doesn't mean No. When someone says "you are crazy to think I would

go along with that proposal,” you should think, “interesting opening position.”

II. Three Stages of Negotiations

- A. Stage One: Establish criteria. Find out what the other side wants to do, even when you are sure that you won't like what they have to say.
- B. Stage Two: Get all of the information you possibly can about objectives/desires.
- C. Stage Three: Reach for compromise. Example: Dad, can I borrow the car?
 1. Find out where going, how long? When coming back?
 2. Find out what movie, etc.
 3. Do homework first, go tomorrow to movie?
- D. Five things it takes to become good negotiator
 1. Negotiations are a two-way affair. Never forget that other side (even bank loan officer/car salesman) has just as much pressure as you do to make the deal and therefore don't get intimidated. Mentally compensate for feeling that you are weaker side. Think about the other side's reason to believe they have the weaker side.
 2. Desire to acquire negotiating skills.
 3. Understanding of how negotiation works.
 4. Willingness to practice. Don't wait until you have large negotiation. Try in small situations. You are always negotiating.

Note: Use a trade-off: Whatever they offer, you want something else, “I might be willing to settle for what you propose, but what can you do for me?”
 5. Desire to create win/win situations.

III. Tactics And Counter Tactics (Gambits)

Even if you don't use all of these, you need to recognize them because they are being used on you all the time

- A. Nibbling. You can get a little bit more after all negotiating is done. If you can get to a point where they say “yes, I'm going to buy X, yes, I'm going to do Y,” you can close on the little things (floor mats, special wheels, etc.). We all do things to reinforce decisions we have made. We all tend to be nervous before a commitment is made, but afterward we will find all kinds of reasons to believe that we made the right decision, felt good about what have done. Don't ask for everything up front. After you get first agreement, other side is relieved that negotiation is over. This is when they are at a very vulnerable state.

Example: purchasing car, have come to agreement, when you are writing the check look up and say, “of course, it does come with a full tank of gas.”

Counter, gently make other person feel cheap. Smile. “C’mon, you negotiated a great price, don’t make me give you a full tank of gas, too. Fair enough?”

Example: You get a promotion and want Country Club membership as part of package. Leave as a nibble. After shake hands on deal and are leaving, say “By the way, you do understand I’ll need a membership” - more likely to get if introduced as a nibble.

- B. Hot Potato. Someone wants to give you their problems. Response: Test for validity immediately. Otherwise its becomes your problem.

Example-. You are a Real Estate broker, prospective buyer says “No matter what, I only have \$5,000 to put down”

Test. “I understand. If I find exactly the right property and it takes \$10,000 down, is there any reason to even show you?”

- C. Higher Authority. Always have a higher authority that you have to check with. After you negotiate the very best price, then tell them sounds okay, but I’ll have to go to committee.

1. Loan committee at bank. Board of Directors
2. Way of putting pressure on someone without confrontation
3. Partner

Counter. Before negotiations start, make sure they are able to make decision without resulting to higher authority. Car dealer says before you see the car “If you like it as much as I know you will, is there any reason why you can’t buy today?”

Counter If forget to do before, at end say (1) “But they always follow your recommendations, don’t they?” and (2) “So you will recommend to buy to them?” (people don’t want confrontation of telling you No); and (3) qualified/subject to close. Well, then, let’s just write up proposal subject to right to reject within 24 hours. (For legal, tax reason, etc.)

- D. Impasse. Don’t Confuse with Deadlock

Set the issue aside. If other side says: “Understand up front that ‘X’ is not negotiable.” Say “that’s fine, I understand how you feel. Let’s set that issue aside, get together and talk about other issues. How important is delivery date, transportation?”

Resolve deadlock: Bring in third party who is perceived as reasonably neutral by other person. Say “we have a fellow who is pretty good at finding a way to get past where we’ll

all feel comfortable.”

- E. Good Cop/Bad Cop Look for this gambit whenever you are dealing with two people. Don't fall for thinking that salesperson is on your side - he will not negotiate for you to his supervisor.

Counter. (1) “Oh, I see, you're the good guy, he's the bad guy.”; (2) Go over their heads, go to supervisor. Say “your boys are playing good guy, bad guy on me. You don't approve of that, do you?”; and (3) Say to good guy, “I know what you're trying to do, so anything the bad guy says. I'll attribute to you.” You make them both the bad guy and the ploy does not work any more.

Example- Carter/Reagan Hostages. Carter was in his last election, told Iran, “I'm a nice guy, you had better deal with me because Reagan is right winged wacko, and there is no telling what he'll do.” Reagan says to Iran: “If I have to, I'll do X,Y & Z (and you know I will). You'd better deal with Carter.”

- F. Never Jump at First Offer

1. People think they could do better.
2. Think there is something wrong, they could have gotten more, aren't satisfied with the negotiation process.
3. Set you up for the nibble

- G. Feel/Felt/Found Formula Whatever the objection, agree with them. Otherwise, you force to defend position. Agree with them, then turn it around. “I understand how you **feel**. Just about everyone I have met has **felt** the same way. However, when we have taken a closer look, we have always **found** that **X** is the case.”

- H. Dumb is Smart and Smart is Dumb. You are better off not sounding very sophisticated because sophistication breeds competition. You don't want the other side competing with you. If you act dumb, people naturally want to help you (Columbo). “Show me how this works one more time. I'm just not getting it. Maybe I'm dumb or something.” Works well with expert witnesses.

- I. Call Girl Principle. The value of services diminish rapidly after those services have been performed. Therefore, any time you make a concession in a negotiation, immediately ask for reciprocal trade-off. Because the value of that favor will diminish as negotiations continue. Therefore, try to get paid when the client is in trouble and needs your services rather than after you have solved the problem.

- J. Develop Walk Away Power. Usually, we reach a point in negotiations when we will say: “I am going to get this deal.” We are emotionally attached to this deal. That is dangerous

because then you are not as apt to have ability to walk away, you will lose the negotiation. There is no such thing as a car, deal, etc. that you have to have. There are always others out there. This is the biggest negotiating mistake people make.

Example: “I might be prepared to represent you. When can you come to my office we’ll talk about it.” Conveys self-confidence and that you are picky about your clients.

Example: “You do understand that I don’t do this type of work for anything less than a \$5,000.00 retainer, don’t you?” If they say no deal, stand up, shake hand and tell client, “It was nice meeting with you, I guess we won’t be able to do business together, best wishes.” (Have walk away power, client has to try to convince you to take them as a client).

- K. Flinching. You should visually react anytime a proposal is made to you. Otherwise, you set yourself up for nibbling.

Example- On beach and artist asks to paint your wife’s photo. You ask how much and he says \$15.00. If you don’t flinch (“\$15.00?! That’s highway robbery!”), he says, “and \$10.00 more for color.” If you still don’t react, he will say, “you will also need one of these shipping cartons, too.”

If you flinch, he’ll say “I normally charge an extra \$10.00 for color, but for you I’ll throw it in at no extra charge.” Flinch again and he’ll throw in the shipping carton.

- L. Trade Off Principle. Anytime you are asked for a concession, ask for something in return. Even if you planned on doing the thing you are asked to do anyway, ask for a tradeoff. NEVER give anything away. Always make a big deal of it. You can get something in return and it stops the other side from constantly asking for favors.

- M. Vice Technique. Squeeze others into a decision.

Example: A proposal is made to you, you smile sweetly and say, “I’m sorry, you’ll have to do better than that.”

Counter: “Exactly how much better do I have to do?”

- N. Power of the Printed Word. People believe what they see in writing more than what they hear.

- O. Withdrawn Offer. Use when you get into a situation when you feel the other side is arm wrestling with you and you want to bring the negotiations to a close.

Example: widget salesman wants to sell widgets for \$1.00, buyer wants them at \$.95. Salesman agrees and buyer asks for \$.94. Salesman stops the grinding away. Tells buyer will get back to him if can do that price. Next day, says cannot even sell for \$.95, can only sell at \$.96 “I’m really embarrassed, but when we crunched the numbers, can’t sell at \$.95.”

Immediately, the buyer forgets the \$.94 demand and wants to stick the salesman to the \$.95 price.

- P. Position People for Easy Acceptance. Set other side up to feel good about giving in to you and NEVER GLOAT. Congratulate the other side on the negotiations. This makes the other side feel they won from you.
- Q. Always Make Sure You are the One Who Writes the Contract. You can write in the little details that were not thought of during negotiations. Then it is up to the other side to negotiate them out of the contract.
- R. Fait Accompli. "It is Done." You have been negotiating and want to stop the nibbling. You send other side the "final" contract with the changes as you want them and sign it, include a check. This makes it the "easy" route for them to accept as written and accept the money even though it is a little less than they wanted (a bird in the hand). They may be more willing to make the concession.
- S. Funny Money. "Do you realize you are only talking about \$.35 a day? You spend more than that on a can of pop." Don't be fooled into thinking in these terms. Think in REAL money terms. That \$.35 a day may equal \$7,000.
- T. Decoy/Red Herring. Takes attention away from the real issue. Negotiate Large account with manufacturer on condition that can deliver in 90 day period. Both sides know that they cannot deliver in that amount of time. Finally buyer makes concession, uses trade-up for 5% discount.

Example: Korean War Armistice talks. During the cease fire, both sides agreed that they would not rebuild airstrips. This did not hurt U.S. because it could still fly from carriers, but Korea couldn't fly from damaged strips. Korea used a red herring to get the U.S. to strike the provision. Had previously agreed that each side would have three neutral countries representing them in negotiations. When airstrip issue came up, Korea declared that their neutral countries would include Russia. When we objected, they said, "we'll forget about Russia if you will forget about the air strips." U.S. fell for it. Gave up a real issue for a phony one.

- U. Puppy Dog Technique or close. Pet store owner allows little boy to take puppy home over the weekend and see if he likes it. He knows the boy will fall in love with the puppy and will pressure mom and dad to buy. This is a tactic to get others emotionally involved in the decision.

Example: Real Estate people take a Polaroid of couple in front of the house. They will dream about being in the house and it will become theirs.

- V. Reluctant Buyer. NEVER act anxious to purchase. Especially for a car or home.

Say, "I just don't think I'd be interested right now, but just to be fair to you, what is the very lowest price you would accept?" This squeezes down the range before the real negotiations

start. Reluctant Seller. Always the seller's "favorite" parcel, etc. Really not interested in selling, just about to take off the market. Could never accept anything but full asking price. But, "Just to be fair to you, what is the very best price you would give me?"

- W. Want It All Philosophy. Initially, always ask for far more than you expect to get. Setting up a climate where other can always feel like can win. Union or professional athletes are good examples. They always start out with ridiculous demands.

However, you should imply flexibility in offer.

- X. Splitting the Difference. Never offer to split the difference. Encourage the other person to do so.

Example: You are at \$80K, opposition is at \$76K. You say, "I guess there is no way we can make this deal. It seems like such a shame to throw away all the time we have spent negotiating when we are only \$4K apart." Keep stressing the time spent and small amount of money involved. Soon the other side will split the difference. When they do, act like you never thought of it. "Let's see, what would that be, let me see . . .

Then, say, "Well, \$78K sounds a lot better than \$76. Let me take that to my higher authority and see what we can do." Then go back and say, "I cannot convince them to go a penny over \$76K," and then stress the amount of time and the little bit of money involved and try to get the other side to split the difference again.

IV. Power: Gaining And Understanding It. In any negotiation, one always feels either as the intimidator or intimidatee. Eight elements of power (ability to influence others) in negotiations.

- A. Legitimate Power. Anyone with title. What one does with power, tells a lot about your style. When Jimmy Carter carried his own luggage into the White House, immediately started to give away power." Wanted to be a people's president but ended up losing respect and negotiating power. Reagan was the opposite. He emphasized the title of President. He was criticized for the money he spent on helicopter rides to the ranch, etc., but his emphasis of title brought him tremendous negotiating power.

Use your title, your office, and your surroundings. Have secretaries place and screen calls.

- B. *Reward Power. Anyone with ability to reward you has power over you (Sgt. Bilko). People who talk about their yacht or ski lodge. They imply that if you deal with them, you might get the perk.
- C. Coercive Power. Police officer has power to punish you for speeding. One of greatest punishments is embarrassment (peer pressure). Don't get caught in the trap of thinking the other side has the ability to punish you. Most of the time it is just money game and the other side wants to negotiate just as much as you do.
- D. *Referent Power. Anyone who has a consistent set of values, such as religious or political leaders. People follow people with consistent values. Again, Carter v. Reagan is a good example. Carter waffled, Reagan didn't. People followed Reagan even though they didn't

agree with him. Play it straight with people. Your reputation is more important than the deal.

- E. * Charismatic Power. Movie star or sports hero.
- F. Expertise Power. When you project that you have expertise (attys and doctors), you have power over people. If you can portray referent power (so they trust you), charismatic power (so they like you), and expertise power (so they respect you), you have a lot of control in negotiations.
- G. Situation Power. Post Office/DMV clerk has tremendous power over the situation. Don't let it upset you. Move on to area where you can have some control.
- H. Information Power. Sharing information forms a bond. Withholding tends to intimidate. Large organizations may withhold information from workers and hold it secret at management level. This gives management control over the workers.

* Most important. If you have all of these, you can control most situations. Kennedy and Reagan had them, Carter and Ford did not.

V. Information Gathering. The side with the most information most always does better in negotiations. Knowledge is power. Techniques for gaining information.

- A. Repeat Question. You are told the line of items has been discontinued. Ask, "you discontinued that line?" They will probably explain more.
- B. Ask for Feelings. "How did you feel about that?"
- C. Ask for Responses. "How did you react to that?"
- D. Ask for a Restatement. "I don't understand why you did that."
- E. Ask People Who Have Done Business with the Company You Want Information About.
- F. Ask Underlings about Personality Style of Person with Whom You Are Negotiating.
- G. Take a Professional (Engineer, etc.) With You to Mix With Their Professionals
- H. Location. Will not get much information in formal setting. Take them to lunch, in your power trappings if possible.
- I. Get Alternatives. Have all suppliers of like products give you proposals. Pick best options from each, take them to one you like most and insist upon those options.

VI. Time Management. The person under the most time pressure usually does worse. Never leave items to "we will work this out later."

Children always ask mom and dad for money as they are walking out the door. Never reveal that you have a deadline. If they know you have time pressure, they will try to hold off on any concession until you are forced

to negotiate in a hurry and you will give away more in order to meet your deadline.

VII. Personality Styles. It is critical to understand both your style and your opponent's style. Four styles in Dawson's model.

A. Pragmatic.

1. Definition: Go to seminar only because you want to learn. They are bottom line type of people. They will not evaluate seminar on personality of speaker, but instead focus only on usefulness of the speaker's materials. May have preferred that speaker didn't tell jokes but just gave info or even gave it in an outline he could read himself. Time management conscious people.
2. Description: Business-like person. Surrounded by time-management gadgets. Hate the thought of wasting time, like going on vacation. If they do go on vacation, it is not going to be sitting around a pool reading a book. They have to stay active. Don't typically like spectator sports. They are participators. No-nonsense people.
3. Dealing with others: Has the most trouble negotiating with amiable. An amiable will drive a pragmatic nuts because they hold back because they are not comfortable emotionally with the pragmatic. They will make a quick decision and live with it.

B. Extrovert.

1. Definition: Goes to seminar because wants to have a good time. Wants to be entertained and excited. Doesn't want to look at details or charts and graphs. Just wants to feel good.
2. Description: Love spectator sports. Emotional and fast decision makers.
3. Dealing with others: Trouble with analytical. Analytical needs too much detail and is too cautious for the extrovert.

C. Amiable.

1. Definition: Goes to seminar because want to be around others with similar interest. Also want to make sure that others are having a good time. Does not want to be yelled at or have speaker carry on with crazy antics. Wants a warm, friendly, down-to-earth speaker.
2. Description: emotional but a slow decision maker. Like to set up barriers because hate pressure. Probably have unlisted phone. Hate the thought of buying new car because of pressure. Feel bad about tearing off mattress tag, thinks she will be found out. Disorganized.
3. Dealing with others: Has a hard time with pragmatics, who seem so hard-headed. They are all business and no feeling.

D. Analytical.

1. Definition: Sits through extensive seminar and feels the speakers only scraped the surface of the topic. Doesn't feel the speakers went into enough depth. Most often accountant or engineer types.

2. Description: Whole breed apart. Old timer would have pocket protector. Always have calculator. Very thoughtful. Likes to muse. Likes to tell you how to make a watch when you ask the time. Very much into details. Unemotional in approach to people. Hardest people to get a decision from because they can never get enough information. Accuracy is next to godliness to analytical.

3. Dealing with others: cannot understand the extrovert. Wants exact numbers, not just rough numbers. Extroverts are too flippant and go off half-cocked without knowing enough about the situation.

	Less Assertive	Assertive
Emotions +	Analytical	Pragmatic
Emotions -	Amiable	Extrovert

Assertive: Persuasive, easily bored, creative, make quick decisions.

Less Assertive: Less persuasive, long attention spans, need to analyze EVERYTHING before make decision.

More Emotional: Makes decisions based upon feelings. Tidy, organized, time managers.

Less Emotional: Makes decisions based upon cold, hard facts. Disorganized, sloppier.