
Let's Make a Deal

As a business owner, you're negotiating every time you buy or sell something, get business financing, discuss pay raises with your workers or develop a strategic alliance. Here are some strategies to help you get the upper hand.

February 20, 2007

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The lack of good negotiating skills keeps many business owners from maximizing their success in both their personal and their business life. Many business owners operate under the false assumption that the negotiation process is limited to the infrequent times when they may be making a "big" deal, for instance, buying or selling a company. But great entrepreneurial masters use their negotiating skills to get successful results in situations from which lesser negotiators have walked away because they believed that getting something to happen was impossible.

Negotiating happens so naturally during the day-to-day process of our lives that we don't even realize we are doing it. You are often negotiating when you purchase equipment, products or services, or when you're resolving issues such as employee pay raises. You typically also need to negotiate to get business financing, to buy or lease a new office, or to outsource manufacturing or services.

There are two steps to being a great negotiator. The first is to properly prepare for negotiations. The second involves learning and implementing the bargaining techniques discussed below.

Step One: Prepare for Negotiations

Know as Much as Possible About Your Opponent

Research your opponent's negotiating strengths and style whenever possible. Fortunately, the Internet has made doing this research far easier than it once was. Check more than one source of information so that you can verify that your facts are correct. Compile a list of what the other side is likely to want and what their arguments will be before you start negotiations. This will allow you to plan your responses to justify your position. I once discovered that a manufacturer was operating at substantially less than full capacity while preparing for an upcoming negotiation. My preparation allowed me to show how the orders I could get would help the company get back to near capacity, and justified the special terms I was requesting from the manufacturer.

Identify Your Needs

I once owned a shopping center and had a plan to refinance it in three years' time. I calculated that I needed the rent for the empty space to average \$12 per square foot to create the market value I'd need to refinance the center. A potential tenant stated his company couldn't justify paying more than \$11 per square foot. I offered a solution that would satisfy both of us: the company could pay \$10 and \$11 per square foot for the first two years, and then pay \$12 the third year. I made concessions for the first two years of the lease but stayed within the range of my needs for the all-important third year of the lease. I could do this because I knew exactly what I needed from the deal. You can negotiate with far more confidence if you know your own strengths, needs and the results you desire. Create a list of what you feel is absolutely nonnegotiable and memorize your objectives and your alternate positions. Your goal is to present your information naturally without looking as if you are reading stiffly from an outline.

Many negotiators have failed to achieve what they needed because they entered the negotiations with a vague expectation such as "I will try to get the best deal I can get." When your needs are clearly and specifically identified prior to entering the negotiation, you will be able to visualize successfully meeting your specific goals. The firm knowledge of the terms you need will also be useful in determining which way to go if a surprise change occurs in the course of the negotiations.

Don't put yourself in the position where there is a must-win on each issue or where you're operating without a fallback position. When you look for your needs versus your wants, don't limit yourself to the current situation. Consider the possibility of the long-range: future relationships or orders you may want to have with your negotiating adversary.

Train for Big Fights

There is a CEO of a data management firm in Colorado whose company has a 90 percent success rate in negotiating contracts they seek to win. The CEO uses reverse role playing to prepare for negotiating key contracts or conflicts with critical clients. He assigns one of his employees to play his role. The CEO takes the role of the challenger or key client. This allows him to test-drive his ideas and to evaluate the strengths and weaknesses that exist. It also gives him insight into his adversary. The CEO uses the best of what he observes during the reverse role playing in the actual negotiation. Not only does the CEO come away from the practice exercise with broader ideas and greater confidence, but his employees learn how to negotiate and how to treat clients with respect.

You're not going to take time to do a rehearsal for your small-impact day to-day negotiations. But if the results of the negotiation are important to making your business or personal plans happen, take the time to go through a role-playing session rehearsal.

Breaking the Ice Before Negotiating

Many people have a tendency to want to get into the purpose of a negotiation too quickly. This can be especially detrimental if you are meeting with someone for the first time. People like to do business with people they know, like and trust. While a trusting relationship takes more time to build than you may have available for the negotiation, try to take five to 10 minutes at the beginning of the negotiations to connect with your adversary. Allow your opponent the opportunity to identify with you, and, if possible, make a connection with you. Once they do, it will be harder for that person to be unreasonable with you once negotiations start.

The warm-up isn't about sharing deep personal secrets or giving away anything that will give your adversary an edge. There are a lot of interesting questions or topics you can bring up that will create a more relaxed atmosphere. My warm-up often springs from something I observe in my adversary's office or the place we are meeting. Ask about your opponent's personal interests. I was once warned that a man I was going to be negotiating with was a "tyrant."

When I entered his office for the meeting, I noticed his collection of vintage record players, and commented on how fascinating I found both the equipment and the evolution of the industry. He smiled warmly and asked if I would like to see the rest of his collection. He brought me into a separate room, and started telling me the history of some of his favorite pieces, and before long we were chatting about family. I am convinced that our eventual negotiation went well because of the easy rapport we developed.

Step 2: Learn and Use Negotiating Techniques

Find the Decision Maker

If possible, conduct negotiations only with the party who makes the final decisions. This isn't always easy to do, since the decision maker may believe his time is too valuable to spend with you until he has more facts, and so will send a subordinate to feel out the situation. If you're not sure, directly ask the person with whom you are negotiating if he or she has the authority to finalize the transaction in all respects. You will generally receive an honest answer, but unless you ask, the information won't be volunteered.

There will be times you are effectively blocked from meeting with the final decision maker. When you are forced to negotiate with a subordinate, you are relying on your adversary's ability to convince his or her boss to accept your proposal. You are asking your opponent, in effect, to negotiate for you. If that's your only option, follow the negotiation up by sending comprehensive copies of your proposal along with the justifications and benefits to the person with final authority. Also send the memorandums of your meetings with the subordinate.

When you're negotiating with a team, find out which person ultimately calls the shots. Probe this matter very directly by asking who on the team has the responsibility to make final decisions. You don't want to waste your time dealing with the wrong person.

Occasionally your opponents will have joint authority. I negotiated a real estate deal with two sellers who had equal ownership of the property. It didn't take me long to identify that one of the two was more dominant, and I focused on selling to that person. The dominant party can be identified by observing how the two parties interact. Does one lean towards the other as if seeking affirmation? Normally one will become more assertive, and this is the person to whom you should make your strongest appeal.

Ask Questions to Pry Open Undisclosed Information

Early in my career, I represented a party who was unwilling to pay more than \$750,000 for the purchase of a real estate site. The owner of the property was unwilling to sell for less than \$1 million.

After reviewing comparable sales prices of other area properties, I pointed out to the owner that the price he was asking was more than the comparable properties. He admitted that was true. When I asked how he justified this, he said he didn't need the money and he was asking that price in order to have the last laugh on certain relatives who had given him a hard time 15 years earlier when he bought the property for a price they felt was too high.

Psychologically he wanted to be able to tell them he had sold for \$1 million. I satisfied his emotional need by agreeing to a contract for \$1 million that involved a \$100,000 payment to him on the date of purchase, with the remainder of the amount spread over 10 years with no interest payments. Because there was no interest paid over the 10 years that the balance was paid out, the true cost of the property was less than the total payments for a purchase price of \$750,000. The seller could brag he had received \$1 million and the buyer got the property he wanted at the price he wanted.

Ask questions at the negotiation session that will uncover helpful information. Often the questions will uncover information that your opponent isn't hiding, but simply hasn't thought about.

Another time when I was negotiating the purchase of a real estate property, I asked the seller if he had any tax needs that could be helped by the structure of the deal. The question resulted in information about what he wanted but didn't think was possible — until I contacted a top-notch tax attorney who suggested a structure neither of us had thought of.

React Flexibly to the Intimidator

You will undoubtedly be forced to negotiate with someone who tries to intimidate you at some time or another. One technique I use to respond to attempts at intimidation or threat tactics during negotiations is looking at the person who is trying to intimidate me and smiling or laughing. Over the years, this technique has often caused my opponents to realize that their approach wasn't going to work with me.

I sat in one negotiation where one party, who was about 6 feet 3 inches tall, moved within inches from being nose-to-nose with a business owner who was about 5 feet 6 inches tall. The shorter business owner smiled and simply said, "Jim, you're invading my space. If you want to get anywhere with our discussion you will have to back off."

Appeal to Hearts and Minds

Persuading your adversaries that your objectives also satisfy their needs is a technique for successful negotiations. This power to persuade by appealing to the hearts and minds of your adversaries is often what moves parties to agreement. It's important to show how your ideas will benefit your adversary. Work to find a benefit that may not have been previously on the bargaining table, ideally something close to the heart of your opponent.

Be Patient and Persistent. Staying Power May Be Your Biggest Ally

A business owner with decades of successful negotiating experience once told me that the winner in a negotiation is usually determined by which side has the most "butt power." At first I laughed, but it has become clear to me that many negotiations are won simply because the losing side wasn't persistent enough and was worn down by the other negotiator.

Most people who want their plans to happen have a tendency to be impatient, and approach negotiations believing that a deal has to get done quickly. This makes them vulnerable because the longer the negotiation

process continues, the more they press to come up with an agreement. Deals that are made too quickly are usually made because one of the parties has left too much on the table.

A friend of mine who is an internationally successful businessman says some of his best deals are the ones he didn't make. There may come a time when you can't make it happen with the terms you want and it is better to walk away than to agree to unsatisfactory terms.

Your opponents may try to pressure you into making a hasty deal by giving you a deadline whereby you either agree to their terms or their offer is retracted. If this happens, do not assume the deadline is a real one. Ask yourself if there is a logical reason for the deadline to exist. Many of the best deals I have made have taken place long after the "deadline" given to me had expired.

End the Meeting at the Right Moment

I once offered a specific amount of money that I said was my final offer for the acquisition of a company I wanted. The owner came back with a slightly higher figure. I let the deal die because it was more important in this situation that I maintain my reputation for letting a deal die if the final offer wasn't met. If I hadn't held firm, the broker representing the company I wanted would have known my final offers were not really final. He could have conveyed this to other brokers, and that would have hurt future deals.

Make a conscious effort to pick the right time to end a negotiation meeting. This may not be before you've come to a resolution. There are three signs to look for in determining when to stop before reaching a resolution.

The first sign is when emotions start getting out of control; this has the effect of closing minds to logical ways of resolving a conflict. The second sign is when you find the conversation becoming circular; it's best to call a halt and determine a date to resume the discussion. The third sign is when continuing the meeting will destroy your credibility that a "final offer" really is a final offer.

When you decide that it is a waste of everyone's time to continue negotiating, summarize your proposal and value points, then announce there will be a break in negotiations. Then agree to schedule your next meeting.

If you do successfully strike a deal, it's time for you to take care of the necessary final details, and then leave. A mistake made by novice negotiators is to continue to try and sell the opponent on why it's a good deal after the opponent has agreed to the deal. You don't linger long enough to give your opponent a chance to re-open negotiations, ask for something else or have second thoughts about the deal.

One last piece of advice. Don't try to mirror someone else's negotiating techniques. Great entrepreneurial masters choose techniques used successfully by others and adapt them to their own personality style. Modify the strategies that have been suggested here to fit your personality and your specific needs.

Editor's Note: This is an excerpt from the book 7 Secrets of Great Entrepreneurial Masters: The GEM Power Formula for Lifelong Success (McGraw Hill, 2006) by Allen E. Fishman.

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