

12 Ways to Negotiate Better

When a deal is pending, the best negotiators know that the goal isn't to scoop up everything and leave the other side with little or nothing. The real goal is generally to exchange items of value so that both sides leave satisfied they have protected their basic interests and made a deal that benefits their companies.

Like all worthwhile endeavors, success depends on preparation. You must know what to concede, when to compromise, and how to handle concessions. Here are a dozen steps to help you achieve success at the negotiating table:

1. Define What a Win Looks Like to You – For a transaction to make sense for your company, you obviously need certain terms to be met. Before the meeting, do some homework to figure out at what point the deal stops making sense. For example, you might want a price of \$55,000 and three days to deliver the product. But after crunching the numbers, you find that the lowest terms you can agree to without losing money are \$50,000 and two-day delivery.

2. Establish Ground Rules – In many cases, it's a good idea to set some ground rules about the negotiation process, especially if there is a culture or language barrier, or you think the other person may be less than honest.

3. Determine Value – Think in terms of basic interests on both sides. Decide ahead of time what is of value to you and what you can afford to give up. Try to determine the same thing on the other side. For example, you go into a sales meeting and find the other party can use some of your company's inventory stock that you consider obsolete (and which you are paying to insure and store). Offering it at a deep discount could further their interests and in the long run, save you money by getting it out of your inventory.

4. Hold Back – Don't make the first move. You don't know what the other party's aspirations are and you may give away far more than you need to. And when the other party requests a concession, don't agree immediately. That could give the appearance that you were asking too much, you know it, and you aren't prepared to defend it.

5. Make Small Concessions – You can establish that your first offer is valid by keeping concessions small. That also suggests there is little wiggle room. Plus, if you make a big concession, the other party may conclude you were trying to take advantage of him or her from the start.

6. Don't Give Up Something Without Getting Something Back – The key to effective negotiations is to build trust and communication with an above board give-and-take process. When the other party requests a concession, respond with: "What will you offer in return?" or "will you do this for me?" Don't give a concession without getting one. Ask for something of equal or greater value. One-sided concessions encourage the other party to keep asking for more.

7. Remember, Small Concessions Add Up – Beware of incrementalism. In other words, you may make a bunch of

"My father said: 'You must never try to make all the money that's in a deal. Let the other fellow make some money too, because if you have a reputation for always making all the money, you won't have many deals.'"



-- J. Paul Getty, American Industrialist,
Founder of Getty Oil Company, 1892-1976

small concessions, but you later realize that you've given away a great deal.

- 8. Give Reasons for Making Concessions** – Explain that, in light of the new information provided, you are willing to give up X in exchange for Y. Example: "Your components are more expensive than our current supplier, but since you've offered free local delivery, it's clear we can save significant freight charges. If you put this guarantee in writing, I'll sign with you now."
- 9. Don't Overreach** – Once you've gotten a concession, don't try to change the terms to get more on that particular issue, or you risk losing goodwill.
- 10. Focus on What You *Will Do*** – Try to avoid saying "no" outright. Instead, keep the process positive by saying something like, "I will do this, if you will do that."
- 11. Make Sure You Actually Want Concessions** – Be careful what you ask for and offer. You may toss out an outrageous suggestion in the belief the other party will never go for it. But what if they do? One good example is a salary negotiation between a staff member and the boss. The employee believes herself to be indispensable and says that she'll quit if she doesn't get the raise she wants, only to have the employer thank her for her service and accept the offer.
- 12. Remember Your Bottom Line** – Make up your mind that if you can't reach a suitable agreement, you'll walk away. It's not that different from buying a car. No matter how many extras the salesman throws in, if he won't come down to the price you want, it's a win/lose deal, with you on the losing end.

Hughes Pittman & Gupton LLP Newsletter, Dec 2010