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STEVEN COHEN

Negotiating Skills for Managers



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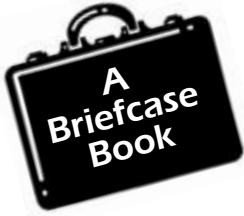
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Negotiating Skills for Managers

Steven P. Cohen

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Preface

When I told my father of my plans to develop a firm specializing in training people how to negotiate, he was quite surprised. When I indicated that many people feel the need to become more confident, he was dumbfounded. “Don’t people know negotiating is fun?” he asked. But he’s good at it and likes to make deals. The aim of this book is to help you get good at it as well and to increase your confidence and the resulting rewards that can come from concluding an effective negotiation.

The title of this book is *Negotiating Skills for Managers*, but a more descriptive title would include the subtitle “and Everyone Else.” Negotiation is a universal human activity—we all engage in bargaining at one level or another on a pretty regular basis. And while we all need good negotiation skills in business, these skills are valuable in our personal lives as well.

Several years ago, in a response to a follow-up form asking for a long-term evaluation of our flagship negotiation course, a participant responded that he had not used negotiation in his professional life—but he had used it to save his marriage. I hope this book will enhance your professional skills as a negotiator; and then you can view any personal impact simply as an additional benefit.

Plan of the Book

Negotiating Skills For Managers has 12 chapters. In the first 10 we discuss negotiation paradigms, philosophical underpinnings, and specific tools and techniques. You’ll find a detailed review of the idea of “interests” and BATNA (Best Alternative To a Negotiated Agreement)—two things all negotiators need to

understand. There's also a discussion of the Interest Map©, a crucial preparation tool introduced in Chapter 5 and used in subsequent chapters. The two final chapters bring it all together, with Chapter 11 focusing on the negotiation process and Chapter 12 summarizing what I call the Seven Pillars Of Negotiational Wisdom©.

You'll find that *Negotiating Skills for Managers* does not promulgate a series of hard-and-fast rights and wrongs. Effective negotiators know that each negotiation has unique characteristics and being flexible can make the difference between effectiveness and wasted time. This book emphasizes that you should not view negotiation as a competitive exercise, and that the best way to conduct a successful negotiation is for all parties to be satisfied when you conclude the agreement.

Special Features

The idea behind the books in the Briefcase Books series is to give you practical information written in a friendly person-to-person style. The chapters are short, deal with tactical issues, and include lots of examples. They also feature numerous boxed sidebars designed to give you different types of specific information. Here's a description of these sidebars and how they're used in this book.



These boxes are designed to give you tips and tactics that will help you more effectively implement the methods described in this book.



These boxes provide warnings for where things could go wrong when you're trying to prepare for and undertake a negotiation.



These boxes highlight insider tips for taking advantage of the practices you'll learn about in this book.



Every subject has its special jargon and terms. These boxes provide definitions of these concepts.



It's always important to have examples of what others have done, either well or not so well. Find such stories in these boxes.



This identifies boxes where you'll find specific procedures you can follow to take advantage of the book's advice.



How can you make sure you won't make a mistake when negotiating? You can't, but these boxes will give you practical advice on how to minimize the possibility.

Acknowledgments

While any mistakes in *Negotiating Skills for Managers* are my responsibility, I have been lucky enough to have received help and support from my wife, Andréa F. F. MacLeod, and my colleague Marsha M. Vaughan. John Woods, of CWL Publishing Enterprises, made the whole project possible, from his innovative formatting of the Briefcase Books series to his pointed editorial comments—and his effective prodding. Joan Paterson served as editor and had a lot to do with finalizing the manuscript that has become this book. In addition, Nancy Woods and Bob Magnan, also of CWL, had a hand in creating the final product you have before you.

This book also owes a considerable debt to ideas from colleagues within The Negotiation Skills Company, Inc.: Anthony Adamopoulos, Esq., Mary Ellen Shea, Ron Scruggs, Denise Delaney, Curtis Johnson, and Paul Cohen, Esq. Of the many others who have contributed to my understanding, Marshall Derby, Felicity Barber, Ricardo Altamera-Vega, and the late

Anthony Hyde stand out. My daughters Julia and Abigail have kept me on my negotiating toes all their life.

Fundamentally, however, my most significant negotiation learning took place at the knee of my father, Martin E. Cohen. I owe it all to him.

For further information and advice about negotiation, you are invited to visit the Web site of The Negotiation Skills Company, Inc.: **www.negotiationskills.com**.

About the Author

Steven P. Cohen is the founder and head of The Negotiation Skills Company, Inc., a consulting and training organization that has presented negotiation skills training to people from more than 40 countries. His clients come from business sectors as diverse as healthcare and the manufacture of nuclear weapons. The Negotiation Skills Company's mission statement is simple: to advance the cause of civility in negotiation to the benefit of all participants.

The breadth of Steve Cohen's experience, negotiating in the public and private sectors and working with people from all over the world, has given him a unique perspective on the do's and don'ts of negotiation. In *Negotiating Skills for Managers*, Steve offers his negotiation experience, communication skills, and teaching techniques to a broader audience.

His company's award-winning Web site, www.negotiation-skills.com, has subscribers from over 70 countries, on every continent except Antarctica. You can contact Steve at tnc@negotiationskills.com.

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Negotiating Skills for Managers



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Competitive Versus Collaborative Decision Making

Negotiating is not a competitive sport.

Paul Murphy is on an extended business trip and getting pretty sick of staying in hotel rooms that all look alike even though they're in different cities. His company has a relationship with the hotel chain where he's been staying, but the business deal is for the least expensive room. How can he improve the accommodations when he checks into the next hotel?

Sally Marks manages a team in the design department of an automobile manufacturing company. A directive has arrived from the marketing department indicating the top priority for the next design cycle is to develop a vehicle that weighs no more than a ton, has space for five passengers, can cruise at 75 miles per hour for extended periods, complies with increasingly strict exhaust emission standards, and can fit into small urban parking spaces. The marketing department also wants manufacturing costs held substantially below any previous cars her group has designed—yet use high-tech materials.

2 Negotiating Skills for Managers

Sally and her team's delivery on this combination of specifications will require the cooperation of members of teams from manufacturing, purchasing, and testing segments of the company. In addition, Sally has to cope with regulatory issues as well as external suppliers in order to accomplish her task.

When Fred and Jane Yancey and their two kids moved into their new home, it needed a lot of fixing up as well as an addition. Some of their neighbors have been very friendly—as well as understanding about the noise of construction machinery—but others have complained to the local building inspectors without talking first to Fred or Jane. The Yanceys are the first African-American family to move into the neighborhood. They wonder whether the complaints to the building inspector relate to the construction itself or whether other factors are involved.

As chief of her firm's team selling processors to a public sector utility company in China, Angela MacKenzie has to contend with competitors from the U.S. and other countries. But she is even more challenged by the process of figuring out how much progress she and her colleagues are making convincing the representatives of the Chinese utility company of the value of the processors they are selling.

Every day, all over the world, people find themselves in similar situations. They want to accomplish a particular task, clarify a relationship, or simply find resources to achieve more than they might by making a deal with someone else. They need to negotiate to get from their starting point to their objective.

Negotiating Skills for Managers is designed to help its readers understand and utilize a process that is fundamental to business—and the rest of life.

What Is Negotiation?

When people want to do something together—buy or sell an item, make a business deal, decide where to go for dinner—they need to use some sort of mechanism for reaching an

Waging Peace

In the old days, when wealthy landowners had a dispute they would hire mercenaries—knights—to wage war to determine who was right. The winner of the battle was acclaimed the winner of the dispute. Then somebody invented lawyers. For the past thousand years or so, we've been waging law to decide who wins. Today, as people rely increasingly on negotiation to resolve disputes or reach agreements, they are waging peace to reach the resolution that is most acceptable to all parties.

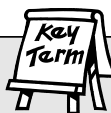


agreement. Unless they agree instantly on every element of the choices to be made, they need to use a mutually acceptable process for decision making. Negotiation is one name for a variety of joint decision-making processes, although people also use such terms as making a deal, trading, bargaining, dickering, or (in the case of price negotiation) haggling.

A successful negotiation has taken place when the parties end up mutually committed to fulfilling the agreement they have reached. Fairness is a crucial element to make a negotiation process succeed. Some people negotiate as if their most significant objective is to take advantage of other parties; this is self-defeating. If any party feels unfairly treated, he or she may walk away from the negotiation with a negative feeling and a disinclination to live up to the agreement.

One way to think of negotiation is to compare knitting and weaving. When you knit something, you generally use a single strand of yarn. And although knitted fabrics may contain a variety of colors and textures, you can easily stretch them out of shape. In weaving, the fabric is created by using at least two strands coming from different directions.

Negotiation The process of two or more parties working together to arrive at a mutually acceptable resolution of one or more issues, such as a commercial transaction, a contract, or a deal of any sort.



Negotiation is a give-and-take bargaining process that, when conducted well, leaves all parties feeling good about the result and committed to achieving it.

Woven fabrics tend to have greater tensile strength and durability than knitted fabrics. Negotiation is more like weaving—the process takes contributions from various parties. While weaving and knitting may involve a single person’s skills, negotiation calls for contributions from two or more parties. By drawing upon the knowledge, skills, and other input of the multiple parties, a good negotiation process weaves together a durable agreement whose strength derives from the fact that the parties reached agreement by working together.

What Negotiation Is Not

When your boss gives you an order and your only choice is to do what he or she says, that is not negotiation. If an outsider is brought in to make a decision between parties using arbitration, the parties are legally bound to follow the arbitrator’s decision. That is not negotiation. When parties are not working together to reach an agreement, negotiation does not take place.

It’s important to keep in mind that negotiation is *not* a competitive sport. This doesn’t mean, however, that we’re never in a contest with other parties. But we are not competing with the aim of making sure we crush the opposition. Rather, we are aiming to do the best we can for ourselves. Using this philosophy, we are less interested in the sporting aim of competing and more interested in looking out for ourselves. In negotiation, you want to do well for yourself, but not because you want to beat someone else. Effective negotiation is held in its proper context as a mechanism for pursuing interests.

Your dealings with customers—or suppliers, neighbors, or relatives—should not be viewed as competitions. We negotiate with people to reach an agreement that meets as many of the parties’ interests as possible. Our fundamental obligation is to pursue our own interests, assuming that the other parties are doing their best to get their interests met. We need to remember, however, that if the negotiating parties aren’t satisfied with the process as well as with the result, odds are that the promises constituting

the agreement won't be fulfilled. Negotiation based on individual interests requires that we open our minds and our strategizing to other parties' interests as well as our own. The definition of negotiation can now be expanded to describe how parties trade things of value in a civilized manner.

Types of Negotiation

People usually view negotiation as either confrontational or cooperative. People who view negotiation as a confrontation see the process as a zero-sum game in which a limited number of bargaining chips are to be won—and they want to be the winners. The confrontational winner-take-all approach reflects a misunderstanding of what negotiation is all about and is short-sighted. Once a confrontational negotiator wins, the other party is not likely to want to deal with that person again.

Cooperative-approach negotiators see a wide range of interests to be addressed and served. They understand that negotiation is not a zero-sum game but a way to create value for all the parties involved. The cooperative negotiator understands the importance of all stakeholders winning something—this is how you build long-term mutually beneficial relationships.

The cooperative approach is known as *interest-based negotiation*. Interest-based negotiation is particularly effective in a marketplace characterized by diversity. We often need to reach agreement with people who are different from us—culturally, ethnically, or economically.

If we cannot get beyond the differences, they can create obstacles to agreement. To do this, we need to focus on the interests of the parties instead of on the parties' differences.

Those interests can form the building blocks upon which agreement is based.

Interest-based negotia-

tion An approach to negotiation where the parties focus on their individual interests and the interests of the other parties to find a common ground for building a mutually acceptable agreement.





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I'm Good, You're Good

When you brush your teeth in the morning, do you see a “good” or “bad” person in the mirror? Unless there’s something extraordinary about you, you probably see a good person. It is important to remember that the other parties with whom you will be negotiating likely see “good” people in their mirrors as well. If all parties undertaking negotiation see themselves as good people, it makes sense for them to treat one another with that understanding. If you approach a deal-making process as an opportunity to crush the opposition, you are choosing to beat up on someone who views himself as a good person.

My Way or the Highway

Some people approach negotiation with an attitude that can be characterized as “my way or the highway.” This occurs in a situation where one person believes that he or she holds all the cards in a negotiation. If you want something from that person, you may have to give him something he really values.

Think of your experiences in renting cars. Automobile rental companies have thought of all the answers; they ask you to sign and initial the front of the contract in several places. The actual contract is on the back of the paper you sign, generally printed in very small letters in extremely light ink. If you want a rental car, you can’t negotiate the contract. The rental company has adopted a position from which they will not budge. There is no clearer example of the “my way or the highway” approach.



Position This is the final answer to the question “What do you want?” It can be okay to *start* with a position in a negotiation, but unless you understand the interests behind your position and are open to alternative approaches, you are likely to find yourself stuck in a corner you cannot escape without losing face.

Hazards of Adopting a Position

In negotiations between parties who each have some power to influence the results (the usual type of negotiation), the crucial thing to remember is that taking a position limits your capacity to bargain. A

position is a party's answer to the question "What do you want?" If you adopt a position from which you will not budge, you run the risk of losing face if you have to back down from the approach you are using.

Investigating Your Interests

The more effective route to achieving an acceptable conclusion to a negotiation is to look at the interests of the parties. Your *interest* is the answer to the question, "Why do you want (a particular result)?" A problem arises when you ask the "why" question: Your response may be a justification of a party's *position* rather than an explanation of the *interest* that needs to be met. If the response to "Why do you want it?" is "Because it is in the company's best interest,"

your answer justifies a position but does not really explain the interests that underlie it. To move past justification to learn which interests are at the core of why someone wants something, you need to ask: How will that approach accomplish what you are looking for? or If we agree to do that, what goal of yours will it satisfy?

Working with Deadlines

Let's say you are told that a job has to be accomplished by a certain time. If you think the deadline threatens whether the job can be done as well as it should to yield the best results for your division, you need to go beyond the justification of the deadline of the person with whom you're negotiating and look at the interests the deadline is intended to serve.



Understanding Our Own Interests

One of the most difficult things to do is to understand our own interests. Since you and I tend to think that we are each a good person, it is easy to fall into the trap of thinking, "If I want it, it must be the best answer." However, you need to ask yourself—and

Positions and interests

Our *positions* can be thought of as what we want; our *interests* reflect what we need.



this can be tough—whether the way you want to do something is really the best approach, or whether taking another party’s views into account might lead to even better results—or results that are better given that there are other people involved, not just yourself.

If we are making a retail purchase and have done a thorough job of research, we know which model of refrigerator or television we want to buy. That becomes our position. If one store doesn’t have what we want, we look for a store that does, although this may be time consuming. If what you’re looking for isn’t readily available, the cost of the search may outweigh the benefits of sticking to your position.

In most negotiations, focusing on interests will make an enormous difference in the outcome. In buying the refrigerator, for example, your interests may include a certain size, color, and shelving flexibility. Through your research, you find one model that meets your criteria, but there may be others that meet your criteria equally well or even better. By looking at your interests—the benefits you expect to derive from achieving your negotiating goal—rather than at one specific outcome, and then keeping an open mind with regard to how you might take care of your interests, you’re likely to discover there is more than one way to skin the proverbial cat. Let’s explore this point further.

What Difference Does It Make to Distinguish Between Interests and Positions?

Distinguishing between interests and positions is a critical first step in understanding the negotiation process. If we can determine whether we and the other parties are undertaking interest-based negotiation or positional bargaining, we have a clearer idea of what is happening among us. When we use interests as the points from which we and the other parties are attempting to reach an agreement, everyone has greater flexibility in the decision-making process. This additional freedom provides the opportunity to think out of the box, to bring creativity to the process, and, as a consequence, to reach an agreement that will really work.

Using the interest-based approach rather than positional bargaining puts the negotiation process on a different footing. The fact is that most of the time we are negotiating with people we've negotiated with on previous occasions. Knowing that, the smart thing is to treat each negotiation as an episode in an ongoing relationship. Using the interest-based approach is the best way to make sure that happens. And if you're dealing with someone for the first time, the interest-based approach is the approach that will most likely help assure further deals in the future.

Besides exploring your interests, you need to prioritize them. For example, if you want to buy a car to commute to work, focusing on finding a model that will get good gas mileage and that will be easy to park may be a lot more important as an interest than whether the radio has four or six speakers. People who take the positional approach and make every element on their list of wants equally important will find it more difficult to find what they're looking for or to figure out on which things they might be able to compromise.

Focusing on interests also helps us overcome potential obstacles to agreement that arise from differences between people. Whether it is an Englishman negotiating with someone from Italy, a woman trying to sell an idea to a man, or a parent dealing

Positions Limit Choices

A position reduces the number of choices a party can make. If Charlie is unwilling to bargain or consider possible alternatives to the position Jackie has adopted, it reduces the choices available to Jackie. Taking a positional approach means you can't change your mind without risking losing credibility in the negotiation. That's why taking a position is usually not a good way to negotiate.



Analyze the Process

Understanding the negotiation process provides you with a critical tool. By giving you a "scientific" or analytical way of figuring out what's going on, it helps you avoid the pitfall of letting your emotions get in the way of your good sense as you engage in the negotiation.



with a child, cultural and experiential differences (along with individual preferences) can be challenging. Recognizing our own interests and, as much as we can, those of our negotiation counterpart, helps us navigate past potential obstacles to agreement.

How Do You Deal with Positional Bargainers?

Let's say you're dealing with a positional bargainer. What do you do? It's all well and good to approach joint decision-making efforts from an interest-based perspective. However, many people do not understand or do not accept the idea that while one-sided negotiations may yield short-term gains, they create the risk of long-term losses.

There are a variety of ways of dealing effectively with positional bargainers. Just as many Asian martial arts teach us to let others defeat themselves by allowing us to use their own strength to our advantage, in negotiation it is possible to respond effectively to heavy-handedness with a light touch. When people let off steam by shouting or using strong language, it is critical not to answer with the same sort of outburst. You can compare it to two waves heading toward each other: If they meet, the water becomes even more turbulent. If you think of yourself as able to control one of the waves by making it duck under the onrush of the other wave, the water smooths down after the wave has passed.

If you are negotiating with someone who comes up with an outrageous or unacceptable proposal, rather than trying to convince him by yelling even louder, it can be extremely effective to respond with silence. Sit there with a poker face and don't betray any emotion.



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Let Them Vent!

When people get highly emotional—for example, when a young child throws a tantrum—the wisest thing to do is let the youngster ventilate his emotions without trying to control him. Once a person has spouted off, heart rate and breathing rate tend to slow down. The individual becomes calmer physically and generally more open psychologically to alternative ideas.

People tend to reflect a bit more when they're met with silence. They're likely to ask themselves, "What did I say? What did I do that offended him?"

Employees are often confronted with demands made by their boss. If you feel that the boss's idea is inappropriate in your situation, ask, "How do you think dealing with this situation in this way will impact our long-term relations with the client?"

Don't ask questions that allow for a yes or no answer—ask for explanations. If you've been told to sell a deal that you don't feel right about to a client or supplier, it's perfectly appropriate to tell your boss, "I want to do this job right. If you were me, how would you sell this approach to the other side?"

Fundamentally, when you're up against a positional bargainer who can't accept any alternatives to his or her ideas, rather than attacking the ideas—which may be taken as a personal attack—try to learn what interests underlie their position. By finding out what folks are really trying to achieve, you develop a better sense of how to present alternatives that will respond to their most important interests.

If you are in a salary negotiation, for example, learn how significant the various elements of a compensation package may be to an employer or an employee. If you ask questions about such issues as tax considerations, shares of equity ownership in the company, vacation time, flexible hours, indications of how important a particular outcome may be to a party's ego, or whether there are non-financial elements either party finds important, you may find one or more ways to break an apparent deadlock.



Dealing with Bullies

If you are negotiating with someone who is acting like a bully, keep in mind that bullies are afraid of failure. If you say, "I am afraid we may fail to reach agreement," there is a good chance that the threat of joint failure will act as a wake-up call to the bully, who may immediately change his or her behavior.

Is Money Really the Interest?

Often it seems that everything boils down to money. We place prices on things and on factors such as timely delivery or payment up front. It is important to recognize that just because money may appear to be the main interest of most or all of the stakeholders in a negotiation, don't assume that money means the same thing to each of them. As far as I know, there is only one person in the world to whom money has an intrinsic value—the Walt Disney character Uncle Scrooge. For most of us, money represents a means to fulfilling interests; for example, buying a new car, paying for your kids' college education, or as a measure of how much your employer values you.

Money itself is not an interest; rather it is a means to an end, a mechanism for helping us achieve interests and measure value.

There's an old saying in negotiation: The first person to

mention a dollar figure

loses. If that were true, you and I could spend months going back and forth: "How much are you charging?" "I don't have a figure; what's in your budget?" "That depends on how much we have to spend." "Well, I need to know your price range so that I can offer you the right product."

In reality, we need to decide for ourselves ahead of time what price makes the most sense to us. If I'm negotiating my salary and my research of the market and my own needs indicate that I don't want



How Can We Recognize Interests?

Recognizing interests is one of the hardest parts of negotiation. Recognizing our own interests is not only challenging but also key to our capacity to negotiate intelligently. Ask yourself, "How many ways are there to achieve my objective and what desirable results do these alternatives have in common?" Finding common threads among desired results should help you understand more about your interests. Another approach is to ask, "What would be the negative consequences to me if my goal is not achieved?" When you find those negatives, turn them around into the missing positive consequences to get a clearer picture of the interests you're pursuing.

less than \$50,000, a wise response to the query, “How much are you looking for?” is “I’m thinking in the range of the low 50s.” This tells the boss that I’m looking for something between \$50 and \$55 thousand dollars. My boss may feel good offering \$51,000, figuring she’s saved \$4,000 on the payroll budget. Or she may respond by saying, “I’m thinking more of a figure in the low 40s.” Either way, it gives us a range within which to negotiate a figure we hope will lead to a mutually agreeable result.

Primary (Fundamental) and Secondary (Derivative) Interests

Let’s say I want a new car. There are lots of reasons for choosing cars: getting more reliable transportation than my old car, impressing my peers (or members of the opposite sex), coping with the commute to a new job location, or celebrating a major accomplishment. Some of those reasons relate to solving practical problems—reliable transportation or commuting. Others relate to my ego—making an impression or celebrating an accomplishment.

If my most significant interests relate to transportation, my car search may lead in the direction of safety, gas mileage, or other practical considerations. If my ego interests are at the forefront, then perhaps I’ll be more concerned with the brand name, model, or how well equipped the car is.

Fundamental or primary interests For any person engaged in a negotiation, these are results that go to the heart of your needs. Where the results that serve your interests come from is not important; it is the centrality of their importance to you that makes interests primary.

Derivative or secondary interests These interests need to be met before it is possible to address and satisfy your primary interests. If your primary interest is to live a comfortable old age, a derivative interest could be to make enough money to provide for that comfort. Another derivative interest that could precede comfort in your old age is preserving your health as best you can.



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Rarely does a negotiation decision revolve around a single interest. Generally, there are *fundamental* or *primary* interests and *derivative* or *secondary* interests. Sometimes, in order to satisfy a fundamental interest, the first thing we need to do is deal with another derivative interest without which we cannot satisfy the big one. If I am buying a car for ego purposes, I may have an interest in amassing sufficient funds and paying off existing debts in order to be able to increase my capacity to buy a fancier car. Yet the same holds true if safe reliable transportation is the underlying interest. The more money I have available, the greater the likelihood I can afford a car with more safety features or a better warranty.

It is interesting, in the example of a car purchase, to see that while the fundamental interests—transportation or ego—may be different from each other, the derivative interest may be the same. Improving your financial situation in order to afford a car that serves your transportation or ego interests is important in either situation. Your interest in pursuing strategies relating to money may well lead you to undertake negotiations that have nothing to do with buying a car; but unless you exert your efforts in the direction of improving your financial status, you are less able to undertake the negotiations with car dealers to pursue your underlying primary interest.

This relatively simple situation gives us a sense of how important it can be to prioritize interests to develop a reasonably clear sense of what must be done to take us to the next step. Let's say that impressing your colleagues with a fancy car will meet the fundamental interest of boosting your self-image. In that case, buying the right car is a derivative interest designed to help fulfill the fundamental interest. However, to fulfill the derivative interest of getting the right car, you have to improve your financial picture—yet another derivative interest. And if one of the ways to get into better financial shape is to get a raise at work, there's yet another interest on your list. In order to get a raise, do you have interests in getting a promotion, being rewarded with a bonus for a particular achievement, or

gaining recognition from your longevity on the job? It is important to recognize that we often have to negotiate different things with different parties to satisfy secondary interests before we are in a situation where we can undertake negotiations focused more directly on our primary interests.

As you can see, while we have certain fundamental interests that underlie our negotiation activities, we may have to strategize as if we're playing a game of billiards—thinking several moves ahead and not just the immediate need to hit the 3-ball into the side pocket. When we comprehend the relative priority of our interests, it helps us develop longer-term strategies that increase the likelihood that our fundamental interests will be addressed. We need to understand what steps to take—and in what order—to reach our interests. Look behind each of your interests and figure out whether it is a fundamental/primary interest or a derivative/secondary interest that needs to be met before you can pursue the primary one.

Looking Beyond Our Personal Interests

When we negotiate, we need to consider our own interests first. Focusing on our own interests helps protect us from developing a competitive mentality where we might sacrifice important interests in order to beat the “opposition.” If we allow ourselves to get carried away with beating the other guy, we may lose sight of our interests and make decisions that go against those interests. However, our interests are not the only ones at play in

Constituents Parties whose interests are affected by our actions, particularly those who are depending on us to deliver. For example, these can include the boss, other colleagues at work, or end-user customers.

Approach Another term for a substantive element of a negotiation. My approach may be to sell the real estate to raise funds for the company. Your approach may be to sell off a division to raise those funds. In each case, we need to look at which approach offers more promise in light of the interests involved.



negotiation. We must give thought to the interests of our constituents: the company, our family, or members of our team at work. Which interests of those constituencies are primary and which are secondary? How do those interests influence the approach we take in a given negotiation?

If we make a promise that creates a hardship for our colleagues—for example, promising delivery far faster than is realistic—we can get into trouble. While this does not mean we should be paranoid negotiators looking over our shoulder all the time, knowing that other groups have a stake in the outcome of our negotiation helps put things in context, gives us a broader perspective, and increases the likelihood that we'll reach an agreement that comports well with the interests of our constituents.

In addition to looking at our constituents' interests, we need to pay careful attention to the interests of parties with whom we are negotiating. Learning what their interests are can help us craft a solution that makes for a successful negotiation. Let's look at the automobile purchase example. If we know we are selling to someone to whom ego issues are more significant than transportation, that helps us understand what perspective will help them make their decision. The knowledge will help us do a better job and, more than likely, make a better deal. Our sales pitch in those circumstances should focus on things like power, appearance, or the characteristics of people



Listen to Their Answers to Your Questions

Understanding our own interests may well be something we can do by ourselves. Getting a handle on the interests of our constituents, our negotiating partner, and our partner's constituencies requires serious information gathering. We must ask questions to learn about other parties' interests. More important, when we ask questions we have to *listen* to the answers. To use an analogy, when someone hands you their business card, it is considered good manners to read each line of it before you slip it into your pocket. It shows that you are paying attention and taking the person seriously. The same is true in asking questions in negotiation; if your mind appears to wander as folks give you answers, you send a negative signal.

buying the fancy cars we offer. If transportation is the issue, we are more likely to bring about a sale by focusing on fuel economy, our service department, and safety features.

Similarly, we must do our best to learn about the interests of our negotiating partner's constituencies. Those interests may drive his decision, and the more we comprehend his constituents' interests in our strategy and tactics, the greater the likelihood that the agreement we reach will provide our negotiation partner something to bring back to whomever he considers the powers that be.

The Three C's of Interests*

People often fool themselves into thinking that the objective of interest-based negotiation is to reach agreement on *common* interests. Common interests can be described as interests in which each party has the same reasons for wanting the same results. While it is certainly possible to find common interests through the negotiation process, more often than not we and our negotiation partners reach agreement because the interests met by the solution that is achieved are *complementary*.

Complementary interests can work in tandem. You have your interests, I have mine, but we can pursue each party's interests by undertaking a single action or a group of related actions.

Compromise: Where Does It Fit?

Notice that *compromise* is not listed among the Three C's of interests. Compromise is a mechanism for meeting in the middle,

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Common interests Those interests shared by the negotiating parties who want the same things for the same reasons.

Complementary interests Those interests that exist when the negotiating parties want the same result, but because it will serve different interests.

Conflicting interests Those interests that exist when one or more negotiators' interests are in opposition to interests of other negotiators.

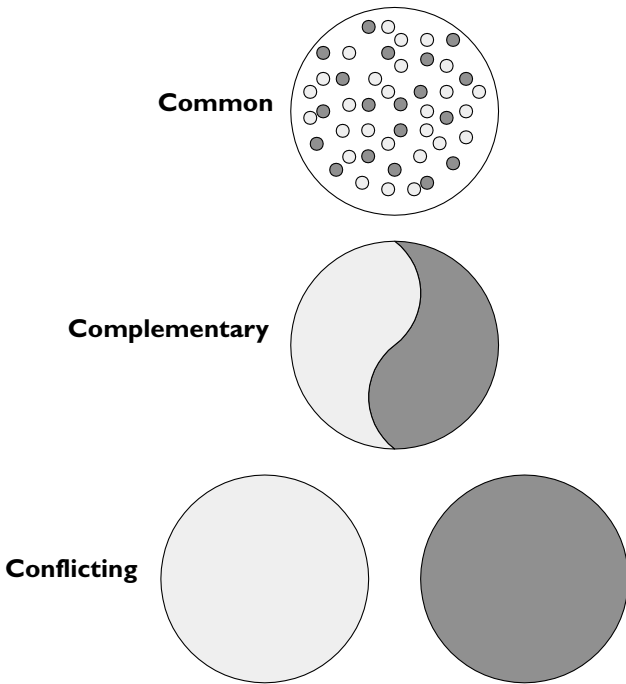



Figure 1-1. The three C's of interests illustrated

requiring each party to give up an equivalent portion of their objectives in order to arrive at an agreement. Compromise tends to be most effective when the currency of the bargaining is limited. The currency of the bargaining is the range of assets that may be traded among the negotiating parties. Thus, when money alone is the issue that divides the parties—say I am asking you

for \$20 and you are offering to pay \$10 for an item—splitting the difference and settling on a price of \$15 requires each of us to give up the same amount (\$5).

 **Confidence-building measures** Activities undertaken by negotiating parties to increase their confidence in their ability to depend on or trust one another.

Complementary Interests

One of the classic examples used in negotiation books and training courses to illustrate how finding complementary interests can lead to a mutually agreeable solution is often referred to as the Orange Story. Two folks are dickering over which of them gets one or more oranges—depending on the story. In each version, one of the people wants the orange juice and the other wants the orange rind. Sometimes the juice and rind are both to be used in eating or cooking; sometimes the two parts of the orange are needed to produce chemical or biological products that are highly valuable. The bottom line of each version of the Orange Story is that the parties have complementary interests: If I get the juice and you get the rind, we can share the orange rather than fight over who wins.



Sometimes we discover the parties' interests are in *conflict*. They have nothing in common, and there do not appear to be complementary interests that will make it easy to reach an agreement.

When it appears that interests are in conflict, negotiators have to weigh their options and determine whether it's in their interest to undertake or continue negotiations with a specific other party or whether it is better to look for another solution. Often there is no realistic alternative; the problem needs to be addressed by parties who, on the surface and perhaps even deeper, have conflicting interests as they relate to the problem at hand. Utilizing confidence-building measures (defined in detail later), reducing the issues under consideration to small building blocks, or using questioning and listening techniques to build a relationship can help reduce the challenges conflicts create.

When Interests Conflict

If you have no choice but to try to reach agreement with a party whose interests conflict with yours, build the possibility of agreement from the ground up. Look for small things about which you can agree—the time and place you'll meet, what items belong on the agenda and the order in which they should be discussed, the interests you and the others may share in an irrelevant topic

such as sports, politics, or food. For example, perhaps a first—or early—meeting should take place at an ethnic restaurant where it is normal for diners to order and share entrees.

Make a serious effort to examine the issues that need to be resolved and look for small elements about which you and your negotiation partner don't disagree. It can be helpful to spend time agreeing on language that describes the problem, on possible resolutions that you both agree make no sense, or on short-term fixes to minor elements of the problem that each party finds acceptable. In international diplomacy, these approaches are often called confidence-building measures. The parties to a conflict need to develop confidence in each other before they can work together in a collaborative, cooperative way to reach an agreement. The parties' confidence in one another can be increased as they reach agreements on logistical matters such as the date and time of the negotiation, elements to be included in the agenda, or the shape of the bargaining table.

Reducing the substance of the problem to small units or utilizing confidence-building measures may fail to bring about a quick resolution, particularly to a long-standing conflict. However, such efforts can lay the groundwork for a reduction in the emotional level of the conflict and help the negotiating parties develop a civilized way for communicating with each other. The problem most likely will not simply go away without further effort. In the *Tao Te Ching*, Lao Tzu tells us, "The journey of 1000 miles begins with the first step." This is a useful observation and can help us on the route to reducing the barrier of conflicting interests that may make reaching agreement appear impossible. For unless we start, we cannot finish.

Manager's Checklist for Chapter 1

- A negotiation is only successful when it yields true buy-in from the parties. Successful negotiations yield mutual agreement in which each party is committed to fulfilling his or her promises.

- ❑ Negotiation is like weaving. By drawing upon contributions from more than one source of ideas or assets, it yields a fabric that has greater durability than an agreement that has only drawn its ideas from one side.
- ❑ Positional bargaining, the “my way or the highway” approach, locks a negotiator into a situation in which he will risk losing face if he backs down from what he has stated he wants.
- ❑ Interest-based negotiation focuses on the underlying reasons behind each negotiator’s objectives. Opening yourself to considering how other parties’ ideas may serve your interests as well as—or better than—your initial idea increases the likelihood you will gain from the process.
- ❑ Focusing on interests can help negotiators overcome or get around obstacles presented by cultural differences.
- ❑ Understanding and focusing on your own interests can help you overcome the instinct to treat negotiation as a competition between the parties.
- ❑ In analyzing your interests, as well as the interests of others, figure out which interests are primary and which take a secondary role. Sometimes you have to address secondary interests before it is possible to deal effectively with primary interests. Understanding this helps develop an effective negotiation strategy.
- ❑ Negotiation can include multiple stakeholders, not just the face-to-face negotiators.
- ❑ While money often seems to be the most common interest among the negotiators, remember that it means different things to different people. It can help achieve very different interests—and sometimes those interests are even better served when something other than money is the solution about which the parties agree.
- ❑ Remember the Three C’s of interests: Common, Complementary, and interests that are in Conflict. Most

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successful negotiations end up with solutions that serve Complementary interests.

- ❑ When conflict exists, it often takes confidence-building measures to increase the capacity of the parties to negotiate with one another.

