

Negotiation Mistakes

Negotiations In A Changing World

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Lack of Understanding: *"If you don't understand it, don't do it."* Warren Buffett

Negotiation Nugget: On Asking Questions:

- 1) *"Ask clarifying questions. Continue to ask questions until you get meaningful answers. Asking questions is a process which leaves it to you to figure out what you need to do next."* Bill Russell, NBA great.
- 2) *"To ask the right question is already half the solution to the problem."* Carl Jung, famous psychiatrist.

1. Failure to manage the other person's expectations.

- a) Initial rapport with your counterpart is important.
- b) Your creditability and his/her initial expectations are both more important.
- c) Once expectations have been reinforced, it becomes progressively more difficult to move them and such expectations become an anchor that is hard to move.
- d) **Anchoring or Focalism, defined:** Anchoring is a cognitive bias that describes the common human tendency to rely too heavily or too stubbornly on the first piece of information offered ("the Anchor") when making decisions. During decision making, Anchoring

occurs when individuals use an initial piece of information to make subsequent judgments.

1. **Anchoring Bias:** is a well-known cognitive bias in negotiations and in other contexts. The Anchoring Bias describes the common tendency to give too much weight to the first number put forth in a discussion and to inadequately adjust from that starting point (the Anchor). An unjustified anchor must be moved quickly before a party adopts it as reasonable.
2. **Anchoring as a Reference Point:** Anchoring is an attempt to establish a reference point around which a negotiation will revolve. Parties often use this Anchor to make negotiation adjustments. Anchoring often occurs when the first offer is presented at the beginning of the negotiation.

e) At a minimum, there are three consequences:

- 1) Time delay.
- 2) Exposure to escalating costs.
- 3) Putting the entire deal at risk

f) The other side needs to know early the approximate neighborhood you are in.

2. Failure to define for yourself what would be an optimum outcome (failure to adequately prepare before negotiations):

- a) Your perfect outcome: What would it be?
- b) The worst deal you would do today, what is it?
- c) This doesn't mean that you will bid against yourself.
- d) If you perform this bracket exercise (the high and the low), you will be prepared for the negotiation. Equally important, you will close or kill more deals.

Negotiation Nugget: On Reputation:

1) *"You can't build a reputation on what you are going to do...actions matter...put action into your plans, ideas and dreams."* Henry Ford. 2) *"The actions of men are the best interpreters of their thoughts."* John Loche

ABC's of Negotiations (H) Honesty is Your Foundation: Once you have creditability and you are trusted, your negotiation position has a chance of being accepted. Honesty and preparation will take you far.

3. Being unwilling to "confess".

- a) Confession, as defined here, may cost you very little.
 - 1. This doesn't necessarily mean that you are admitting that you have done anything wrong.
 - 2. It could be something about the industry.
 - 3. This could be simply acknowledging that occasionally a thug or marginal promoter may move in and out of our industry during peak periods.

4. Clearing the air, if sincere, generally is enough.
5. It is more a concession of a debating point rather than a personal confession.

b) They are really measuring you.

1. What kind of person are you?
2. Can you hold your own?
3. Can you adapt to the pressure?
4. Do they find you believable and creditable?
5. Do they think that they can extract something extra from you?

BreakPoint Defined: *That point in a negotiation where the other party is ready to engage you and begin to discuss and consider the major elements of the trade. Said differently, it is the equilibrium point at which business can be conducted.™*

4. Trying to close the deal before reaching the BreakPoint.

a) People have to be sufficiently comfortable before you can make the deal. Sometimes you have to educate the other side, or let them have their say. Some people are very process oriented even if they already understand and agree.

1. Trying to close too early doesn't get results.
2. Sometimes, the **BreakPoint** comes before you sit down. Sometimes it takes a while.

Negotiation Nugget on Timing:

1) *"Be quick, but do not hurry."* John Wooden. (Greatest college basketball coach of all time)

2) *"The person with the most time has the most power."*
Charles White

5. Failure to Fully Commit to Your Position.

- a. Begin by supporting your position.
- b. Your commitment gives your position authenticity.
- c. **A cautionary reminder:** Your first choice may not be the final choice chosen by your boss or client...but you still must commit.
- d. Strongly present your final position or the opportunity that you are offering. Invite them to the discussion. *This isn't about being aggressive; it's about being invested* in your position.
- e. Your failure to sufficiently commit will, at a minimum,

6. Talking Too Much.

- a. There is no need to be too talkative.
- b. We need to be careful after we have reached the **Breakpoint**.
- c. Speak selectively and with precision.
 1. Silence is your friend.
 2. *"Loose lips sink ships"* (WWII slogan)

3. Awkward moments put pressure on everybody and that isn't all bad.
4. Don't give in to the temptation to talk when you shouldn't.
5. Wait as long as you need to before speaking (I have waited as long as 20 minutes before responding).

Negotiation Nugget on Facing Reality: *"When it is time to eat a sour pickle, don't nibble at it."* Gary Tarpley. (Little Rock, AR commercial banker)

7. Being unwilling to bite the bullet

- a. Sometimes you need to put bad news behind you.
- b. We all have had to face the inevitable.
- c. Sometimes you can extract something of value for your practicality.
- d. **Sometimes a bad deal is a good deal.** Sure doesn't sound right, does it?

8. Failure to Correct When the Negotiation Has Gotten Off the Rails.

a.) *"Every mistake has a half way moment; a split second when it can be recalled, and perhaps, remedied."* Pearl Buck.

b.) *"The confession of evil works is the first beginning of good works."* St. Augustine (fourth century Catholic Theologian)

9. Trying to be the “Answer Man”.

- a.) You are not an industry spokesman.
- b.) You are neither a TV Analyst nor a college professor who holds an endowed chair at T.U.
- c.) You will have to say “I don’t know” or “I’m not sure” pretty soon anyway.

10. Thinking Too Narrowly.

- a.) Context always matters
- b.) What is the big picture?
- c.) What is it that you are overlooking?
- d.) What, if anything, does the other guy know that you don’t?

11. The Risk of Overselling the Opportunity.

- a. If you build up the opportunity too much it may boomerang on you. (Protect your wallet.)
- b. Chances are you will be asked to do more or pay more.
- c. Sell the dream or opportunity. If they don’t see the upside or buy into the dream, why would they take the deal?
- d. The Railroad Story...if it’s that good...you can pay more.

12. Being Too Deal Oriented.

- a. Not every deal should be done.
- b. Some deals should be killed and killed quickly.
- c. It isn’t negative to point out deal flaws, hurdle rates or structural challenges.
- d. If you have trouble saying “no” you are probably vulnerable to saying “yes” when you shouldn’t.

e. There is a limit to how many balls you can juggle. Get rid of a few. No, really.

Negotiation Nugget on Juggling: **Juggling defined:** To keep several objects such as balls, plates, bowling pins or deals in continuous motion by tossing and catching them in a circular motion. Often, the juggler keeps adding items one at a time until he reaches the limit of his abilities. Don't push your luck.

13. Allowing Things to Become Personal.

- a. **You are there to finalize a deal, not make a new best friend.**
- b. Generally, most of us work better when we have ourselves under control.
- c. Remember, some people try to incite or bate you just to throw you off of your game.
- d. The other side simply may not know how to provide constructive criticism.

14. Talking Down To the Other Side.

- a. It may be innocent.
- b. It may be unintentional.
- c. But no one enjoys being disrespected.
- d. The younger you are, the more careful you should be.
- e. The newer the relationship, the more careful you should be.
- f. If you don't appear to respect them, why should they trust you or want to do business with you?

15. Falling Into the Scorekeeper Trap.

- a. *“One for you, two for me”* will get you in trouble.
- b. Normally, not every trade item is of equal value.
- c. We tend to overvalue items we want to get or retain.
- d. We tend to undervalue those items we are willing to relinquish or that we don't pursue.
- e. The offshore story: 4 of 19 vs. 15 of 19.

16. Falling Into ‘IF I Were You’ Trap.

- a. First of all, you aren't them.
- b. If they don't ask for advice, please don't give it.
- c. Your friends and family don't like it when you do this because no likes to be encroached upon.

17. Needing To Be the ‘Smartest Person’ in the Room.

- a) It is your job to get the deal done.
- b) It is your job to make money for your company or client.
- c) It is not your job to win the ego display.
- d) The older I get, the more I respect humble people.
- e) If you need a goal, try to be the most functionally effective person in the room or the most prepared.
- f) Of course, somebody actually is the smartest person in the room...does it have to be you...this time?

18. The Paradox of Choice: Sometimes we provide our counterpart with **too many choices**.

- a. It is always best to start with a simple, traditional deal structure.

- b. Too many options make it hard/harder to choose.
- c. The mix and match dilemma.
 - 1. Your opponent will usually try to pick and combine the best elements of two deal structures.
 - 2. You designed two different horses to choose from but wound up with a camel.
- d. Too many options force your opponent to focus on what he/she is giving up rather than on what he/she is getting.

19. Relying Too Much On Rules of Thumb.

- a. Rules of thumb are best used as preliminary screening tools.
- b. They also can help to organize material.
- c. They probably should not be used to make final decisions.

20. Regularly Splitting the Difference on Big Trade Items With your Counterpart. (Front pocket money vs. back pocket money.)

- a. This is ok to do on small items.
- b. We shouldn't do it when the money is meaningful.
- c. Don't fight over nickels.
- d. Don't try to beat your counterpart, try to optimize the current outcome.

21. Speechifying Rather Than Advocating Your Position.

- a. It's a negotiation, you are not giving a speech or participating in a debate tournament.
- b. Present, clarify and advocate your position.

- c. Invite questions from the other side.
 - 1. Their questions draw them in.
 - 2. They become engaged.
 - 3. They apprehend your position.

22. Allowing the Three E's (Emotion, ego and Uncontrolled Escalation) to Drive the Negotiation.

- a. Too much emotion = lack of control.
- b. Uncontrolled escalation = lack of maturity
- c. Too much ego = you have forgotten why you are there, e.g. consummating the negotiation.
- d. Too many surprises may = lack of planning.

The Seven-Ups

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| 1) Shut up | Hold your tongue. |
| 2) Stand up | Be courageous. |
| 3) Show up | Be committed. |
| 4) Speak up | Clarify and reinforce. |
| 5) Make up | Forgive; let go. |
| 6) Re up | Stay connected and persevere |
| 7) Look up | Look to the future |

Quotes to Ponder

Negotiation Nugget on Deciding: *“The most difficult thing in all the world, and, hence, the most valuable, is the ability to decide.”*

Napoleon Bonaparte.

Successful People Don’t Stop: They Press On: *“Successful people keep moving. They make mistakes but they do not quit.”* Conrad Hilton