

The Real Deal

Words of *wisdom* from the
Scotwork Negotiation Blog.

Compiled by Alan Smith, Stephen White and Robin Copland.



Defining negotiation

Scotwork (n) negotiation

About the Real Deal

The Real Deal. Words of wisdom from the Scotwork Negotiation Blog.

- Why you should lose some business?
- What surprises and street parties teach us about negotiating?
- When is a negotiation not a negotiation?
- What drinking guidance and bad proposals have in common?
- Is \$1.76 million a good price for a fish?
- Why are we persuaded to do stupid things?

Scotwork, the world's number one negotiation consultancy, takes a creative look at what the real world teaches us about the skill of negotiation.

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Introduction

Black and white.

Life rarely is. We seem to live in a constant murk of greyness.

A philosopher once said we do not see life as it is but through our prism of experience, priorities and mistakes. So does everyone else. That means that we are continually trying to navigate our path through conflicting needs and desires. The everyday conflicts of life.

This is true not only of our personal lives but also our business, political and social experiences.

For the last 38 years Scotwork have been examining one method by which we steer our way through these inevitable conflicts, the art and skill of negotiation. Negotiation can help oil the wheels of life by recognizing these differences and find a path by which we can get more of what we want.

Since 2010 we have been Blogging our musings on the issues of the day, the ones that have captured our imaginations and the ones that we feel could benefit from that art of negotiation. If you like we have taken real situations and thought through the options that may make a deal possible, or even just more likely. We have put these situations under the negotiators microscope.

They are accessible to all, but make more sense to the trained mind. Talk to us if you would like to become more aware of and better at doing this stuff yourself.

This book provides a collection of some of our favourites. Hope you like them too.

Dramatic Negotiations

I was intrigued by a report on the front page of the Times on Thursday 24 June under the heading “Obama takes command”. The report reads, “a dramatic morning of negotiations at the White House culminated in an address to the nation in which Mr Obama insisted that the change (the replacement of General McChrystal by General Petraeus) was one of ‘personnel, not policy’ but warned: ‘I welcome debate among my team, but I won’t tolerate division’”.

Now, negotiation is a means of resolving conflict by a process of give and take – in other words, it is a trading process. I am wondering just exactly what the “dramatic negotiations” were in the meeting between McChrystal and his Commander-in-Chief? I imagine that the meeting went something along the following lines:

General McChrystal: “Sorry Chief.”

President Obama: “Thank you. I accept your apology. You’re sacked.”

Obviously, I’m simplifying things here slightly, but in a nutshell, that is what is reported to have happened.

Perhaps the negotiations were between Obama and Petraeus? Not according to the good General who is reported as saying that he accepted the post without preconditions. He is reported to have opined that you don’t present ultimatums to your Commander-in-Chief.

Maybe, the President was discussing McChrystal’s pension arrangements with him. He needn’t worry. If Tony Blair can earn hundreds of thousands of dollars on the US lecture circuit, General McChrystal’s future would seem to be secure for the time being at least.

The morals of the tale are these:

- You can only negotiate if you have power.
- And if you have absolute power, you don’t need to.

Robin Copland, 24th June 2010

When to Go “Public” in a Negotiation

The BBC, it seems, has entered a new age of realism when it comes to the rewards that it offers “talent”. It was only relatively recently that Jonathan Ross’s agent was able to secure an annual remuneration package rumoured to be in excess of £6m. How times have changed! Christine Bleakley, one of the presenters on the popular tea-time magazine programme, The One Show, has had her offer of £450,000 summarily withdrawn by the Corporation. It was felt that she had dragged out negotiations to push up their offer.

Was the BBC right in announcing the withdrawal so publicly? The answer, I suppose, is that it depends what their objective had become at the time of the withdrawal. Two possible scenarios to ponder:

- The Corporation wanted to force Bleakley’s hand and have her accept their offer. I cannot believe that this was the case, but the risk in so doing becomes immediately evident. She has accepted a much higher bid (rumoured to be £1.5m per year) and has flown to the opposition, in this case, ITV, where she will become a presenter on breakfast time TV with her erstwhile One Show co-presenter, Adrian Chiles.
- The Corporation had genuinely gone as far as it was prepared to go with Bleakley and was anxious to send out a message to other presenters that there was no bottomless pit and that, if necessary, it was prepared to lose talent rather than be held to ransom. I believe this second option to be the truth of the matter.

There are a couple of lessons from this that negotiators might like to ponder.

- Know your limits and do not be scared to walk from a potential deal if these have been breached. If you have identified something as a point of principle or a point beyond which you will not go (but be careful to test that position first), then make it clear to the other side that you will not move – and don’t move!
- Only go public in a negotiation if you feel that by so doing you will help structure people’s expectations – either the other side’s or, as in this case, people or organisations with whom you may need to negotiate in the future.

One other point worth making: note that the BBC got its retaliation in first and was responsible for making the story public. They were able to put their side of the story, to control the release of the news and show themselves in a good light.

Robin Copland, 24th June 2010

Consider Your Opening Statement in a Negotiation

You will not find me complimenting politicians on their negotiating skills very often, but the recent negotiations between the Conservative party and the Liberal Democrats were interesting and I propose coming back to them from time to time during the next month. For now, I want to consider the “opening salvo” on 7 May 2010, the day after the UK General Election.

For those who do not follow politics in the UK, the country woke up to the first “hung” or balanced parliament (it depends on your political persuasion which adjective you will want to use!) for thirty years and, for a short while, there was relative silence from our politicians. There were those who argued that this was a blessed relief after four weeks of relentless campaigning, but in truth, moves needed to be made in order to form as stable a government as was possible under the circumstances.

Nick Clegg, the leader of the Liberal Democrats, had made it clear that, in the first instance, his party would have talks with the party that had won most seats in the General Election and, for the first time since 1997, the Conservatives were in that position.

David Cameron, the leader of the Conservative party, moved to seize the political and negotiating initiative by holding a press conference—a conference at which, significantly, he took no questions. He wanted his message to stand as delivered; he wanted there to be no possibility of a muffled sound bite in answer to a throwaway question; he wanted to appear in control and statesmanlike. His statement was therefore prepared in advance, rehearsed and delivered without falter.

Whether you agree or not with the Conservative party’s policies is not the issue here. I believe that there are lessons for the commercial or indeed HR negotiator to be learned by studying his speech. Yes, it was delivered to the British people live on national television, but in reality, it was aimed at the leadership of the Liberal Democrats and them alone. It was, in effect, an opening statement in which he did a number of things very effectively.

He set out and described the background to the negotiations.

He outlined clearly what his objective was—“Britain needs strong decisive government...”

He set an agenda for the talks and, in so doing structured the Liberal Democrats expectations with this key phrase—“it is reasonable to expect that the bulk of the policies in our (the Conservatives) manifesto should be implemented...”

He made it clear what the Conservatives “must achieves” were, but also offered olive branches to the Liberal Democrats on their important issues

He kept his own constituents on message by outlining to them exactly where there would be no negotiation on principle

He set the tone for future meetings in the style of his presentation.

Negotiators should think about how they open their meetings. It is a critical time in any negotiation and a rehearsed opening statement can set the tone and background to the negotiating process. Your rehearsed statement should not just be tried out on the mirror—try it out on your colleagues first. They will soon tell you how good or bad it is!

Robin Copland, 30th June 2010

My Wife Already Knew It!

F. Scott Fitzgerald once said ‘The test of a first-rate mind is the ability to hold two opposing ideas in the mind at the same time, and still retain the ability to function’.

Well either he was wrong or there are no first-rate minds as neuroscience revealed the impossibility of the task.

Comes as no surprise to my wife, but neuroscientists yesterday revealed that it is impossible for a human being to hold two thoughts at the same time—let alone opposing ones. What my wife would perhaps not have been so pleased about is the fact that it is the same for either gender—women finding it just as impossible as men.

Early humans had one mind. It was what psychologists call a “reactive” mind. It only exhibited what we would consider higher thought processes when it was presented with a problem. It didn’t plan for the future or imagine how to improve things like a dwelling, a tool or escaping a predator. It only reacted to situations that happened in the “here and now.” But, according to neuroscience, a sudden improvement happened when the human brain decided to double its efforts in thought processing. Now, although you and I have one brain, each half of it has the ability to act independently at the same time.

Our conscious mind can only focus on data from one side of the brain at a time. We can switch from one side to the other very quickly (with our corpus collosum which acts rather like a biological Ethernet cable) but that’s not always the most efficient way to act and eventually ultimate authority to enter consciousness is delegated to one brain or the other. In our modern world, this battle is almost always won by the left brain. This left brain is seen as the logic centre, the right being more engaged in creative or emotional reaction.

The next time you find yourself entering a business critical negotiation think how impossible it is for you to handle and think about many of the tasks essential to a successful conclusion. Since negotiation inevitably involves conflict, being able to see how the other side see the potential outcomes involves an essential switch between ideas. At Scotwork we have identified at least 28 different tasks which need to be managed by your negotiation team. We don’t think you need a team of 28, a good team of 3 will work to tag switch between tasks. Tactically a good team can make all the difference, particularly when the team is clearly briefed and on message.

Good teamwork can buy valuable thinking time in the apparent chaos of the to and fro, can focus and clarify the task, give your brain the time to switch between thoughts and control the potentially

dangerous right hand brain from emotionally over-heating, on both sides.

Top tips:

- In crucial negotiations go in with a team.
- Have clear and distinct roles.
- Stay on message and within role.
- Use team work to buy thinking time.
- Use a summariser to keep the meeting on track.

Good luck.

Alan Smith, 2nd July 2010

The Times They Are a Changing

Which business sector employs the most negotiators but does the least negotiating? Answer: Real estate agents. Everyone from the Principal Partner to the 18 year old spotty youth employed to make the tea and erect the 'For Sale' signs revel in the title, but our perception is that most of them might do a bit of soft-shoe haggling when selling a house and that's about it.

But times are changing. Property prices in the recession haven't fallen as much as was anticipated, and that is because of a dearth of property on the market – scarce supply keeping prices buoyant. As a result, agents are resorting to some interesting negotiating tactics to get prospective vendors to commit to selling through their offices. Foxtons have offered a 0% commission rate from time to time before, usually limited to the first few who applied. They are doing it again, from several offices in North London. So other agents in these areas have had to up their game to compete with this; you can't do cheaper than free.

How do they do it? The tricks include subterfuge – for example over-valuing the property to 'flatter' the owners, and 'blozzing' – talking up the state of business and their agency's successes. This latter is endemic in the industry – in the last 2 years I have not seen a single property supplement in a newspaper with a headline that reflected the current state of the market.

There are also some negotiating techniques which solve the problem with integrity as well as success. Agents, who recognise that the prospective vendor is buying them, and their expertise, do well, as do those who know that the commission is only one of the considerations vendors take into account. An estate agent's contract has lots of variables, all of which can become negotiating chips useful for trading. The more expensive the house, the lower the fee. The shorter the contract length, the higher the fee. The dodgier the language in the contract, the lower the fee will be, but the more likely the vendor will have to pay even when the agent doesn't make the sale. Skilled agents use these variables to help vendors get decent deals, and get good deals for themselves.

Stephen White, 6th July 2010

Buying a Car? Maybe You Need to Walk Away?

A friend of mine asked me about buying cars and, after your house, I suppose that the most significant purchase that most people will make will be their car. For some reason, buying a car sends a shiver of apprehension up a lot of people's spines – I suppose because most folk are embarrassed by the whole “haggling” thing. They have seen the TV programmes where you are advised to go in tough and beat the poor salesperson into the ground, but somehow they know that that approach is not one with which they feel comfortable. So they meekly accept the first offer that is put on the table and they buy the salesman's patter that the deal they have secured is “as good as you will get this weekend, sir”.

Car buyers should, first and foremost, recognise that they have one significant advantage over the salesperson – their ability to walk away. Knowing that you can walk should give you confidence in your dealings with the garage. Even if the deal on offer is beyond your wildest dreams, you should make to walk away.

Make sure that you have a set budget in mind and are absolutely clear about what you need in the car. If you do not need leather, for example, and the salesman is trying to sell you a car off the forecourt with leather, make it absolutely clear that you do not need or want leather and that they will need to remove the cost of the extra from the car before you would think about buying.

There is no substitute for doing your research. The information on what a car is worth is out there on the internet or in the popular car magazines. Become a car nerd for a month or two before you actually go in and have a look around at the cars. Take a drive to another garage and have a practice negotiation with them (see note above about walking away!).

Never accept the “sticker price” or first offer. Apart from anything else, the salesperson will be insulted and unable to sleep for many a night as he rues the fact that he pitched too low!

Have a “wish list”. Sometimes it is easier for the salesman to add things to the package than take money off, so think about asking for free services, guaranteed discounts on the price of replacement parts for the life of the car, a free tank of petrol, free carpets or mats for the car – those kinds of things.

There is one key thing to remember here: there are lots of great deals out there at the moment – car makers are desperate to move cars to market as quickly as possible. Look out for special offers and pre-registered cars. Often, they are as near new as makes no odds, but are sold at big discounts. It is worth having a shop around.

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