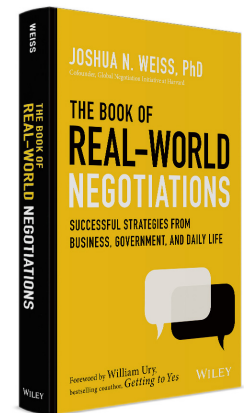


The Book of Real-World Negotiations

Successful Strategies From Business, Government, and Daily Life

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THE SUMMARY IN BRIEF

Many of us enter negotiations with skepticism and without understanding how to truly negotiate well. Because we lack knowledge and confidence, we may abandon the negotiating process prematurely or agree to deals that leave value on the table. *The Book of Real-World Negotiations* will change that once and for all by immersing you in real-world scenarios.

Through hard-to-find examples, you will learn exactly how to effectively and productively negotiate. As a result, you'll be better able to grasp the true power of negotiation to deal with some of the most difficult problems you face or to put together the best deals possible.

Once you come to understand through these cases that negotiation is the art of the possible, you'll stop saying "a solution is impossible." With the knowledge and self-assurance you gain from *The Book of Real-World Negotiations*, you'll roll up your sleeves and keep negotiating until you reach a mutually satisfactory outcome!

IN THIS SUMMARY, YOU WILL LEARN:

- Common negotiation mistakes and the five key principles of great negotiators.
- To meet short-term needs while building long-term relationships.
- To recognize hidden dimensions in negotiations.
- To understand and respect cultural differences.

Introduction: The Power of Stories to Teach About Negotiation

Actual negotiations that happen in business, government, and the world around us stay lodged in our memories better than theories, concepts, or facts. Why are these negotiation stories so powerful? An important part of the reason is because they often challenge our assumptions and preconceptions about what is achievable when people sit down together.

The best stories have a memorable arc from beginning to end, overcoming obstacles, conflicts, and controversies, while ultimately conveying a lesson in an easy-to-understand manner. Negotiation stories, generally speaking, follow a similar pattern. They begin with an introduction, reach some kind of apex in terms of a quandary, and culminate with either a constructive way forward, the parties walking away to something else, or a stalemate.

The connection between stories and negotiation is deeper, however. In difficult moments in negotiations, we are much more likely to summon up a story with a happy or dramatic ending, a lesson or anecdote, than we are a concept or theory. Negotiation stories, simply put, stay with us and are easy to recall in critical moments.

The negotiations that follow hold invaluable teachings that will help to broaden people's perceptions on negotiation and how to overcome difficult obstacles and challenges. First, however, let's review some key principles.

Mistakes Negotiators Make, and What Do Great Negotiators Do Anyway?

Learning to be an effective negotiator is a journey, not a destination. Along that journey you will encounter many notions about what effective negotiation looks like. There are some commonly held fictions related to negotiation that often lead people astray and away from creating the best deals or solutions possible. Below are the most common.

A winner and a loser—and nobody wants to lose. This win-lose way of thinking leads people to conceive of negotiation from this vantage point—thereby limiting the negotiator's thoughts on what might be possible.

The false promise of compromise. While compromises might be needed from time to time, they certainly are not what effective negotiation is all about. So what do you do if you don't compromise? You resist the urge and dig

into the issue in a deeper fashion. What that means is taking a creative approach where you explore all the underlying interests and sources of value that exist.

Misnomers about manipulation and deception.

The thinking goes that when a negotiator finds something that creates discomfort in the other negotiator, they seek to exploit it. Successful negotiation does not involve these deceptive tactics. In fact, it is really the opposite—building relationships and finding creative solutions are what make effective negotiation possible.

The strong don't negotiate. The fourth fallacious customary perception of negotiation is that it is for the weak. Strong people coerce others to do things, not persuade them. The reality is very different. Negotiation is one of the key tools that we have at our disposal to solve our conflicts. There is nothing weak about this process.

Negotiators are born, not made. Everyone can learn how to negotiate more effectively. Each person has their own negotiation ceiling that they can achieve, which requires time and effort.

You have to sacrifice the long-term relationship for short-term gain. This is a false dichotomy. Those that negotiate regularly, particularly with people with whom they have a long-term relationship, are always watching that fine line. They will never do something in the short term that damages the long-term relationship because they know it will come back to haunt them down the road.

What Great Negotiators Do: Five Key Principles

As you read through the different cases, you will notice at least five principles emerging continuously. It is fair to say that these five tenets are a necessary condition for success in virtually all negotiations. If you use all of the principles below, you are much more likely to reach creative solutions that maximize the value in all your negotiations.

Principle 1: Invest in preparation (instead of having a plan). Even though it is very tempting for people to want to develop a specific plan of action, that approach rarely works effectively. There are two reasons why plans are ineffective. The first reason is that what happens in a negotiation is partly contingent on the actions of the other.

Second, negotiations are rarely linear and full of unexpected twists and turns. Given that truism, even the best-laid plans of negotiators are likely to go awry. Being clear on your end goal but flexible on how to get there is a critical

The challenge for any negotiation in a business context is how to meet your short-term needs while also building the long-term relationship.

component of successful negotiation.

Principle 2: Mindset and the importance of cultivating the relationship. Mindset underpins everything a negotiator does in a negotiation. For example, if a negotiator brings a mutual gains thought process to the table, that puts them in the right frame of mind to envision potential solutions and to freely explore possibilities that meet both their and the other negotiator's needs. One must seek to meet their short-term interests while preserving the long-term relationship.

Principle 3: Creative problem solving. When a negotiator engages in creative problem solving, they free their mind from its traditional constraints and are more able to engage in innovative explorations. These roads less traveled are often the avenues to success. In order to problem-solve effectively, one has to see and make connections where others do not.

Principle 4: Managing the emotional side of negotiation. Whether we like it or not, emotions always play a role in negotiation. The question should not be whether to keep emotions out or let them in but, rather, how does one let them in with some control? The way in which most negotiators do that today is through emotional intelligence.

Principle 5: Uncovering the hidden dimensions of negotiation. Many of the covert dimensions of negotiation are far from obvious and require a lot of exploration and investigation. Astute negotiators look for these dimensions and assume there is more going on than meets the eye.

In other cases there are key psychological dimensions involved, such as face saving, that underpin the entire process. Finally, in still other examples, there are critical interests or needs that are driving the process but are lurking under the surface like the hidden elements of an iceberg.

PART I: DOMESTIC BUSINESS CASES

The challenge for any negotiation in a business context is how to meet your short-term needs while also building the

long-term relationship. See if you can spot the places where some of the above-mentioned principles apply.

Saving a Merger With Creative Thinking

Two companies, called Amity and Branco, had recently agreed to merge. As they were working through some of the issues post the merger, Amity abruptly changed one of their policies and decided to “tax” each division in a new way that would cost Branco a whopping \$25 million. The tax was supposed to cover the costs of harmonizing the two firms' computer systems and other technologies. Amity felt it could do this because it was the much larger of the two companies and the one doing the acquiring.

The tax on Branco was so onerous that it would turn the economics of the merger upside down, making it a financial loser for Branco. Needless to say, frustration levels from employees at Branco rose quickly. Two of the people at Branco who were deeply involved were Danny and his boss, Amy, both of whom were stunned at the turn of events and worried about their jobs and the jobs of their colleagues.

Danny immediately began doing intense factual research. Together, Amy and Danny, with two other colleagues, used the research and developed a number of possible options on how to move forward.

Danny recalled, “We realized something obvious that everyone had missed when the two sides were bickering during the negotiation. If we didn't integrate the technologies, the costs to the firm would actually go up! We had the right to block the integration. Why? Because my company would be forced to maintain a myriad of duplicate systems, which would create serious inefficiencies. I realized we had a common interest I could highlight.” That common interest was cost savings.

The Negotiation

The solution Amity and Branco ultimately found was a result of questioning assumptions and digging deep for a solution no one had thought of based on a special ac-

counting method. Amy and Danny's division would pay its portion of the costs to change the system, but it wouldn't pay the current operating costs.

The method would also cut costs to other divisions by ending duplicate accounting systems and wouldn't create any further financial issues for either side. Danny concluded that he would wind up saving \$14 million for both sides using this approach, salvaging the merger, reviving his and his boss's careers, and winning the respect of his new colleagues. "I was hero for a day," he added.

There are a number of key lessons here. The first lesson is the value of preparation and learning from a clear framework in order to do so.

The second lesson was the key shift from a positional, back-and-forth negotiation, to a more interest-based way of viewing the situation. Instead of getting pulled into the game of one-upmanship, Danny stepped back and searched for a creative solution.

The final lesson is that even in the face of a power asymmetry, you have options if you think creatively enough.

How a Bad BATNA, but a Strong Relationship, Sidestepped a Lawsuit and Created a Mutual Gain Solution

In 1995, Jim, Bill, and Tim started a company in a rented room with a fax machine. Their company, Contrexo, an Architecture, Engineer, and Construction management firm (AEC), grew from those very modest beginnings into a moderate-size business by 2001 with a value of approximately \$20 million.

At that time, Contrexo was approached by a large publicly traded AEC firm called Mantosar, which wanted to acquire them. After some rather straightforward negotiations, Contrexo became a wholly owned subsidiary of Mantosar. The three principals who created Contrexo began working at Mantosar. As part of their contract with Mantosar, the three had a noncompete clause for a period of five years.

As the three men worked in conjunction with Mantosar, they became increasingly frustrated with the overall business model and experienced a strong feeling of disenfranchisement. Furthermore, they could not see a way to grow Contrexo. The former owners and senior managers wanted to make a change but were forced to wait until their non-

compete agreements had expired. At that juncture, they decided to leave as individuals—one by one. The idea was to leave slowly and start a new company similar to Contrexo.

Jim was the first to leave the firm. The remaining senior leaders would come over one at a time and get restarted that way. Jim began reaching out to major clients to let them know that they were on their own again, and the new company began to get new contracts. Shortly after Jim left, Bill followed.

Approximately one week later, Jim got a phone call from Mantosar's president, Peter, and CEO, Ramon. Peter and Ramon explained that they needed to speak with Jim immediately because they were considering bringing litigation against their new company. Jim, of course, agreed to meet.

Ramon added that when both Jim and Bill left Mantosar, they forced a significant material change of leadership that required public reporting because Mantosar was a publicly traded company. Immediately Mantosar would have to take the goodwill off their books as a write-off, which amounted to approximately \$11 million in value. This would impact their stock price, and they simply could not allow that to happen.

Peter and Ramon then explained that the only option they would have would be to sue Jim and Bill personally. They candidly admitted that they might not win the lawsuit, but it would tie up Jim, Bill, and the new company professionally for seven years. As a result, Jim and Bill's new business would likely fall apart. Jim and Bill had worked well with Peter and Ramon for a number of years, and they all liked each other personally. Peter and Ramon did offer Jim and Bill their jobs back at Mantosar with significant pay increases. Neither Jim nor Bill were interested in that opportunity.

The Negotiation

One thing was clear to Jim. Even though he did not think it all through strategically, he knew his BATNA was not a good one. He understood that a potential lawsuit could stop his new business in its tracks, with no real hope for success.

Yet, Jim did not react negatively. In fact, he let his emotions run through, acknowledged them, and then quickly got into brainstorming mode. One of the keys to doing that was the strong relationship he had with Peter in particular.

After some brainstorming around the issue, Jim eventually hit on a new idea. He asked Peter and Ramon if he and Bill could buy back Contrexo. It was a novel idea and one that had not come up before. In the end, it was the solution they

needed, but it would be far from simple. Per usual, the devil was in the details.

One problem was that Jim and Bill did not have the \$11 million in cash or capital to do the deal. On a piece of paper they mapped out a sale price and how Mantosar would have to take back a loan of significant value. Peter and Ramon would have to deal with a write down they could take and what Jim and Bill could manage in loans.

Jim and Bill negotiated a loan of \$6 million, along with reasonable interest rates they felt they could manage. They also mapped out a continued relationship between the two companies into the foreseeable future. That took future competition off the table and ensured a profitable arrangement for both going forward. This plan also enabled Jim and Bill to keep the agreements they had in place with other vendors.

This broke new ground for Mantosar. They had never let a wholly owned subsidiary be bought back. Curiously, from Mantosar's perspective, a lawsuit might have actually made more sense to pursue. With this deal they took a loss and had to take back loans, among other things. The only explanation Jim could surmise as to why they went down the road of a negotiated deal was the pre-existing relationship he had with Peter and the impact of a lawsuit on Mantosar's stock price.

Lessons Learned

There are innumerable lessons within this case. First, the value of the relationship between Jim and Peter saved this situation from escalating out of control.

Second, how you react to different moves in negotiation matters considerably. Third, sometimes a power differential in negotiation does not always unfold in the way the parties expect. In this case, Mantosar had a lot of power and ability to control the process, and yet they showed a lot more flexibility than a pure power analysis might suggest.

PART II: INTERNATIONAL BUSINESS CASES

With the interconnected nature of the world, more and more companies are working internationally. As a result, an increasing number of negotiations are taking place across borders and between businesses stretching from Afghanistan to Zimbabwe. Business deals are happening everywhere, in some of the most unlikely places and between some of the most unlikely partners.

Negotiation in this context has a number of added dimen-

sions. First, laws differ from country to country, and it is often unclear which laws will be applicable in a given situation. Second, unique cultural norms undergird each negotiator's overall orientation. Unless those cultural differences are understood deeply, they can easily disrupt a process that otherwise would flow smoothly.

Unique cultural norms undergird each negotiator's overall orientation.

Going a Long Way to Make a Deal

Ecru is a small clothing company based in New York City. Ecru's CEO, Howard Sheer, led the negotiations with a potentially new supplier based in India, called Indegopro. Sheer began looking to India as more and more unfavorable changes were taking place in China, where his previous supplier base existed.

Indegopro was a large factory group based primarily in India with facilities in other countries. Sheer very much wanted to work with Indegopro for a multitude of reasons, but he feared that they held all the cards in the negotiation and it would be a difficult process to meet his goals and make the deal profitable for the much smaller Ecru.

Sheer did his due diligence and investigated Indegopro thoroughly. As he did, he found that they served small entities similar to Ecru but also big department stores like Gap and Banana Republic. He also found that Indegopro had a great track record of working with all of these different stores. Their quality, value, and public relations all checked out.

Sheer's challenge was that Ecru was tiny in comparison. How would he persuade them that doing business with Ecru was worthwhile to them?

Ecru had engaged Indegopro on one order, and Sheer was very happy with how they performed. The terms under which that first deal was done, however, were not at all ideal for Ecru. They were working under a Letter of Credit (LC),

which they could manage, but LCs tend to be expensive, and Ecrú didn't have the ability to engage this way into the future.

Put differently, Ecrú needed the ability to finance the business, and the bank would only open a limited number of LCs. Thus, Sheer knew the core of the negotiation was about a future partnership and the terms under which that arrangement would unfold.

Sheer also knew that in Indian culture, having a strong relationship mattered a great deal when it came to doing business. Unfortunately, that was lacking.

Then it hit him. He would make a trip all the way to India to demonstrate his level of commitment.

The Negotiation

In going to India, Sheer was doing his best to bridge the cultural gap. He wanted to send a clear and unequivocal signal that he was very serious about working with Indegopro now and into the distant future. His goal was to get them to understand that he deeply valued their business, and he was prepared to invest in the relationship to prove it.

After spending the day together and discussing things generally, Sheer turned to the specifics and the heart of the negotiation from his point of view. The primary issue was the financing terms. Sheer's opening offer was for 90-day terms based on receipt of goods, which in actuality was 120 days in payment terms, because to ship the merchandise by boat would be 30 days in transit.

To Sheer's surprise, the representatives at Indegopro had no issue with the 90 days. They countered with a proposed 1.75 percent flat finance charge, which for Sheer was considerably cheaper than opening an LC or tying up his credit line at the bank that he could use for other purposes.

Upon reflection, this was not an exceptionally challenging negotiation, but it was the unknowns of the negotiation parameters and the lack of a relationship that defined this situation. The representatives at Indegopro explained to Sheer, after the agreement had been signed, that they were very moved by the effort it took for him to come all the way to India and the professionalism of the presentation of his business plan for the future.

Crossing Cultures and Crossing Wires

When negotiators consider culture, they often contemplate behaviors and customs, but the more challenging aspects

of culture from a negotiation point of view lie beneath the surface and are profoundly embedded in ways of acting, thinking, and believing.

This negotiation took place in Pankyo, South Korea, regarding a merger and acquisition negotiation between a Korean biotechnology company and a German biotechnology company. Pankyo is an emerging digital city comparable to Silicon Valley in the United States.

This particular negotiation occurred in a face-to-face capacity at the CEO's office of the Korean company, named Kyammi. The German company involved in the negotiation is called Bundascorp. Bundascorp's CEO visited South Korea for the series of negotiations in which Kyammi's CEO was seeking capital investment from Bundascorp. In return, Bundascorp's CEO was seeking to control the management of Kyammi through a merger and eventual acquisition.

Kyammi wanted to be an authorized subsidiary of Bundascorp and maintain its business relationship through their capital investment. They wanted this relationship because they would benefit from Bundascorp's excellent global reputation in the biotechnology field. Bundascorp wanted to control the management of Kyammi because they owned one of the leading biotechnologies in the world along with affluent human resources and regional networks that dominated the Asian market.

The underlying interest of Kyammi was not to lose its majority stake in the company so they could still make their own decisions, while also maximizing the amount of investment from Bundascorp. On the other hand, Bundascorp wanted to take control of the Korean subsidiary company's shares in order to exploit the regional domination of Kyammi in Asia. By exercising its power over management, this task would be made much easier.

The Negotiation

While the negotiations had many dynamics, none were more critical to a solution than getting to the bottom of the cultural issue that underpinned each company's orientation and position.

Korean parties seeking foreign investment perceive themselves as the lower-power parties, given that their counterparts have financial capability and resources. As a result, Koreans engage in negotiation processes without communicating their needs and wants with the high-power parties.

Despite Kyammi's CEO experiencing significant dis-

Culture not only controls the ways in which people raise . . . issues but also their ability to openly resolve any disputes or conflicts that might arise during the process.

comfort with the way the Bundascorp's CEO negotiated, he did not express these emotions openly since such a demonstration would have been deeply frowned upon from a cultural point of view.

The negotiation process progressed simply because Kyammi's CEO made begrudging concession after concession. As a result, Kyammi's CEO lost most of his company shares through these voluntary concessions, allowing Bundascorp to take over 65 percent of the company.

This was not, however, where the negotiation ended. When South Koreans engage in this kind of behavior, they frequently do not comply with the agreement they signed. In order to comply and implement an agreement, they need to be satisfied with the negotiation process itself as well as the personal relationship with their counterpart(s).

The outcome of this negotiation was far from optimal—particularly for Kyammi but also for Bundascorp. By making their concessions as their culture dictated, Kyammi attempted to put itself into a new and different relationship with Bundascorp. Bundascorp unfortunately did not understand what was happening and, as a result, took advantage of the situation and the relationship.

Interestingly however, due to the very strong emphasis on the relationship by the CEO of Kyammi, the business relationship has persisted and, while not balanced, it continues to this day. One can only imagine how much more fruitful the relationship would be if the situation had properly met Kyammi's cultural expectations.

PART III: GOVERNMENT AND DAILY LIFE CASES

There are a number of lessons that are key for people to understand who are negotiating in an international cultural context such as this. Culture not only controls the ways in which people raise (or do not raise) issues, but also their ability to openly resolve any disputes or conflicts that might arise during the process. The key to dealing with all of this is understanding the culture one will be interacting with and their ways of living, working, and negotiating.

A tremendous number of negotiations happen all around us every day—whether it is between civil society entities, hostage situations, or at the governmental level between warring factions. Akin to the business cases that have been previously presented, these cases cover a vast array of areas. What is interesting is the similarities involved despite the disparate nature of the examples.

What's In a Name—and How Do You Negotiate It?

This negotiation scenario was shared by someone who worked at a law firm and who was serving their client in a pro bono capacity. The client, Life Care International (LC), was involved in humanitarian work and the delivery of aid after natural disasters. LC engaged in work all around the world and deployed in rapid fashion to help those in need.

At a certain point LC ended up in a major city in a Slavic country, delivering much-needed aid after a natural disaster. While they were working in this city, they encountered another nonprofit organization called Life Care International for the Benefit of Children (LCIBC). This nonprofit organization was much smaller and did a different type of work—primarily helping children in need of medical care. Both entities were known in their respective spheres as simply Life Care.

As they both worked in this city, confusion began to take hold. At first the problem was trivial. The occasional phone call to the wrong office. However, it got worse and more frequent over time, with people who were seeking to connect with one nonprofit contacting the other nonprofit seeking their help, donations intended for one entity ended up with the other organization, and so on. What began to emerge was a classic trademark dispute.

It turns out that LCIBC had been around longer and held the trademark. Due to the confusion both were experiencing, LCIBC eventually asked LC to change their name. This is where the negotiation ensued, as neither wanted to change their name given the sunk costs and investment they both had in their name and, more importantly, their identity.

As the parties prepared to negotiate, they sought different ways to solve the problem but simply could not find a viable answer.

The Negotiation

At that point, one party suggested a mediator be brought in to help. During the course of the mediation, the mediator eventually asked LCIBC a slightly counterintuitive question given they held the trademark: “How important is your name to you?”

It was a very interesting question that stopped the lawyers for LCIBC in their tracks and seemed to shift the conversation to a different and unexpected place.

After giving it some thought, LCIBC responded by saying that their name was actually really long, and even though they held the trademark, they would consider changing it. They explained further that their name really did not effectively describe the core of their work, and they would be amenable to something else. The question was, what?

The mediator then suggested the following to LCIBC: “What if LC paid you to change your name?” There was silence in the room as the parties considered the out-of-the-box suggestion. After a few moments they both realized that the proposed solution might actually break the deadlock. It turned out that solution would be much cheaper and easier for LCIBC to do than the other way around.

Interestingly, and what made this solution that much more effective, was the fact that LC had insurance that would not have been enough to pay for their own name change but would be enough to pay for LCIBC’s. Thus, in the end, a creative solution was found out of what seemed like a no-win situation for LC and an uncomfortable one for LCIBC.

This example beautifully highlights the distinction between positions and interests. The mediator clearly grasped the positions but also probed the underlying interests.

Second, the mediator brought in some very innovative and creative thinking by flipping the problem on its head. Instead of seeing the problem as something the defendant (LC) had to fix on their own, the mediator reframed the problem as a joint one. This perspective freed the mediator to ask some thought-provoking questions, leading to the creative idea of LCIBC changing their name due to their size and having LC pay for it.

These case studies demonstrate that effective negotiation happens in a multitude of different ways. Often the most improbable negotiation solutions occur in the face of tremendous odds through creativity and persistence. These breakthroughs occur when a negotiator is thinking that a solution is simply not possible, or they have run into what seems like an insurmountable obstacle.

But they don’t quit. Their desire to find a solution, and belief that one can be found, is essential to their success.

As you go forward, be endlessly creative, and never give up.

IF YOU LIKED THIS SUMMARY, YOU MIGHT ALSO LIKE:

- *Negotiating the Impossible: How to Break Deadlocks and Resolve Ugly Conflicts (Without Money or Muscle)* by Deepak Malhotra
- *Inked: The Ultimate Guide to Powerful Closing and Sales Negotiation Tactics that Unlock YES and Seal the Deal* by Jeb Blount



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