

Negotiating - The Art of Matching Needs

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While our current President may have written a book on deal making, for most people negotiating is usually an afterthought. In college my major was communications and rhetoric, which is literally the art of persuasion. Throughout my life it has become apparent that being competent at negotiating has helped me to accomplish many of my goals, objectives, and mission.

To this end, here is an updated version of an article I wrote over 20 years ago which appears to be as pertinent now as it was back then.

Negotiating Stages

Skilled negotiating has become a focal point for creating a successful business relationship. However, most negotiators are experienced rather than skilled. To develop your skill, let's look at the three stages involved in negotiating.

Stage One - Logic This entails discussions based on probing and listening. When logic fails to lead to closure, inducements or sweeteners may be added as incentives to gain a concession.

Stage Two - Sweeteners They are often referred to as "value added services". However, they usually fit Webster's definition of a bribe: "reward, gift, or favor bestowed or promised to induce one to commit against one's wishes."

Stage Three - Threats/Rewards They usually are the result of a deadlock and frustration that occurs when stage 1 and stage 2 failed. The objective in the third stage of negotiation is to scare or to bribe the other the other party into submission.

It should be noted that the second and third stages of negotiating are irreversible. Therefore, the consequences of moving beyond the first stage should be carefully weighed before taking these steps.

Negotiating Tools:

Three key elements are likely to influence the negotiation.

Time Frame This involves the use of deadlines to create pressure. Often these are so called deadlines which are artificial and can simply be ignored. The key is to determine real deadlines from ones used to create a sense of urgency to gain concessions.

Positioning Understanding the concept of positioning is essential to successful negotiating. Positioning involves creating a perception. Truth itself often is a perception. Having integrity by sticking to a code of values, may enhance your position. The use of positioning also entails posturing in terms being on the offense, defense, or remaining neutral. Bear in mind that both positioning and posturing may be influenced by the location of the negotiation, titles, appearance such as how one is dressed, age, gender, and just about any extraneous factor.

Background Information The use of background information from a strategic perspective is the glue that strengthens your negotiating hand. This takes into consideration the external and internal forces that affect both parties involved in the negotiation.

How to Gather Information:

Assessing the External Forces.

In conducting a strategic assessment, one normally starts with the macro perspective (the external forces) and then focuses on the macro perspective (the internal environment). For strategic planning purposes, this information is synthesized into a SWOT analysis, (strength-weakness-opportunities-threats), and put into a matrix.

The key factors affecting the external environment are -

Current Economy - What are the trends in terms of the key economic indicators? These can easily be monitored daily by reading sources such as the Wall Street Journal.

War and Peace - The stability of the country and the world can have a deep impact in terms of prioritizing and decision-making.

Current Census - Socioeconomic trends and demographic patterns are another influential factor that impacts the external environment.

Remember, the external forces should be assessed both from the standpoint of their effects on your target's company as well as your own.

Assessing the Internal Forces.

The internal forces affect your industry, your company, as well as your target's company. In reviewing the internal environment, take a good look at:

Vitality - Knowing whether the industry is in growth or decline, its current level of profitability, and the amount of competitive activity are the keys clues here. Are companies within the industry fragmented or consolidated? Who are the major players? Does the industry have a set of basic standards and expectations?

Mission - Knowing the values and guiding principles by which you, your company or whoever you represent in the negotiation operate by will help set your parameters. Understanding the company's management team in terms of their background views and beliefs is also important. Remember, most companies tend to be reflections of their leaders.

Ownership - Know who owns the company. Is it a public entity or privately held? Do the owners engage in several related businesses or are they singularly focused on one aspect of the industry? Ask yourself, could this firm vertically integrate into one's area of expertise and someday become a competitor?

Operating Details - What are the company's products, coverage, and service capabilities? Does the industry have accreditation standards and is the company accredited? What is the company's pricing philosophy and policy? Is pricing flexible? What are the average rates within the industry for their product or services?

Stability - If the company is publicly held, it is easy to gain access to annual reports and detailed financial information to determine how it is doing. A more subjective measurement that may provide greater insights, is the company's reputation. This can be determined through carefully checking their references and social media.

Corporate Culture - Knowing the nature of the company i.e. are they liberal or conservative? Does it rapidly respond to new ideas, technology, and other opportunities? The key consideration here is how your target's corporate culture will integrate with that of your own company.

Outcomes:

In a successful negotiation the end result is closing a deal or at the least, making an advancement. While in an unsuccessful negotiating the outcome will be a rejection, or worse yet a continuance. The difference between acceptance or a rejection is obvious. However, the differences between an advancement or a continuance is harder to delineate. Take the following test to see how well you can tell these outcomes apart. Indicate your answer by filling in the blank indicating one of the 4 possible outcomes, Sale, Advancement, Continuance or Rejection.

1. I'll complete the paperwork now so that we can start as soon as possible. _____
2. We liked some of the things you offered but are going to stay with our existing supplier. _____
3. I'm impressed by what you've have to offer, and I also liked the way you presented it. _____
4. Let's meet again after our board retreat sometime next in the fall. _____

5. I can't make the decision alone, but I can arrange for you to meet our CFO. _____
6. We'll think about it and we'll probably let you know in a few months. _____
7. I'd like you to make the modifications to the proposal that I'll present to our committee. _____
8. Once I get the OK from our legal team, our financial team will have to review it. _____

(Answer Key: 1 – S, 2 – R, 3 – C, 4 – C, 5 – C, 6 – C, 7 – C, 8 – C)

Often a continuance can be converted to an advancement by asking additional probing questions.

For example:

In #4. Let's meet again to continue this discussion sometime next fall. You could simply close for a date and ask for the specific areas that need further discussed.

In #5. I can't make the decision alone, but I'll arrange for you to meet our CFO. Again, you could close for a date and gather information on the CFO's decision-making style.

Sizing People Up:

Here is some advice on how to adjust your style based on the personality type of person to whom you are negotiating with.

Group One: Recommenders

Have you ever been asked to serve as a member of a committee that was given the task of "brainstorming" some new idea or initiative? Have you ever been asked to offer a "user's perspective" on some new undertaking? If so, you were being asked to serve as a Recommender.

Recommenders speak the language of FUNCTIONS that simplify or improve their lives. They will hear you most clearly when you address their perpetual question, "Will this make my life easier?"

Ask the Recommender, "What is the biggest problem you're personally having with regard to this in your department/team/operation?"

"What's your opinion? Would having this make your job faster with less hassles?"

Functions are analogous to a custom "Owner's Manual" for your product, service, or solution.

Group Two: Influencers

Influencers live to be right. They are technical experts who love to win arguments and prove that all the facts are exactly as they've described them and then influence the outcome in their favor. If there's a problem or error somewhere, the Influencer takes it as a solemn duty to: a) identify it first, and b) prove that someone else is responsible for it!

Influencers speak the language of FEATURES. They will hear you most clearly when you address this perpetual question of theirs: "What could conceivably go wrong here?"

Ask the Influencer, "What improvements would you make to your current (X)?" (Again, fill in the blank with something that connects to a proven area of expertise in your organization.)

When the answer you hear lines up with the FEATURE set of your product, service, or solution - that which makes the functions possible - ask:

"In the past, what steps have you taken to (safely/prudently/successfully) (manage/create/troubleshoot) that kind of change in your operations?"

Features are analogous to the parts, pieces and components that make up your product service and solution.

Group Three: Decision Makers

The Decision Maker is the person who can endorse what the Recommender suggests, or the Influencer signs off on. They authorize a buying order. Once the Decision Maker gives the OK the matter moves next to the Approver.

The Decision Maker's big win happens when you win the sale and deliver the results you promised. Why? Because they want the publicity you generate! They want to be a hero in the eyes of the Approver!

Decision Makers who are charged with turning the Approver's vision into reality, speak the language of ADVANTAGES. They evaluate a lot of ideas during the day. They will hear you most clearly when you address this perpetual question of theirs, "What makes this particular option better than all the other options open to me?"

Ask the Decision Maker, "Are you currently looking for new ideas and improvements in any of the following three areas: (X), (X), or (X)?" Of course, make sure "X" is directly related to your product, service and/or solution. And "What must my company do to prove to you that we can help you achieve your goal and earn the right to become one of your trusted suppliers by next (day/week/month/quarter/year)?"

Advantages are analogous to the way you tailor, customize or tweak your product, service, or solution. They can also be expressed in terms of how you deliver, implement, and support whatever it is you are selling.

Group Four: Approvers

The Approver sits at the top of the corporate totem pole. A green light from the Approver always means "Go," and a red light from the Approver always means "Stop." Simply put, The Approver has the ultimate veto power.

Approvers speak the language of BENEFITS. They will hear you most clearly when you address this perpetual question of theirs, "How and when will this get me closer to my mission-critical goals?"

Ask the Approver, "What are your top three goals, plans, and objectives with regard to (X) for the next (day/week/month/quarter/year)?"

"If we can prove to you that we can exceed your expectations and help you overachieve your goal in (X) area, could you see yourself making an investment of (\$X) and becoming one of our customers between now and the end of this (day/week/month/quarter/year)?"

The beautiful thing about dealing with Approvers is they will answer each question you toss their way if they don't consider it company confidential or "insider" information. Typically, they're the straightest shooters in the organization, and they will usually let you know exactly where you stand.

Summary:

Skillful negotiating really comes down to the art of needs-matchmaking. To develop the mindset of an effective negotiator, commit yourself to following a systematic process.

Jita Kyoei is one of the Japanese principles of judo. It translates literally as "you and I shine together" or conceptually as mutual welfare and benefit. More simply it's win/win.

Finally remember:

- ***Good negotiators love to negotiate!***
- ***A long yes is usually better than a short no.***
- ***He who speaks first usually loses!***

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