



Negotiation and Conflict Resolution Course

Compilation of readings and lessons



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Readings

1. Body language

I, Antoine Perrenot de Granvela, hereby write the first of several documents with which I intend to document my vicissitudes and learnings as negotiator in the service of the Spanish kings.

I wish to dedicate this initial document to body language.

Throughout the years I have known many "experts" in the art of negotiating who have prepared interesting documents on the meaning and significance of body language. Here are some of the conclusions they have arrived at:

- ◇ "Touching the nose: Insecurity and nervousness"
- ◇ "Scratching the neck: Uncertainty and falsehood"
- ◇ "Holding the gaze with dilated pupils: attraction, interest and consent"
- ◇ "Keeping the hand on the chin: analysis; continuously caressing it: boredom"
- ◇ "Keeping the hands crossed behind the back: supervision"
- ◇ "Keeping the hand on the cheek: scrutiny"
- ◇ "Moving the head slowly in the affirmative: to agree and understand. If the movement is too slow, it means s/he agrees but does not completely understand"
- ◇ "Moving the head rapidly in the affirmative: to agree, but impatient for the other to end what s/he is saying so as to move on to the next issue"
- ◇ "Inclination of the head upwards: analysis"
- ◇ "Stroking the hair, blinking and moistening the lips: nervousness and signs of losing control"
- ◇ "Tightening the lips: doubting"
- ◇ "Smiling only on one side of the mouth: apathy"
- ◇ "Rubbing the eyes continuously: disagreement and boredom"
- ◇ "Constantly crossing and uncrossing the legs: boredom and scepticism towards what is being heard"
- ◇ "Raising one side of the face in a snarl: despise"

I do not deny how interesting these interpretations may be, but my advice in this regard is very clear: make an effort to listen and understand. If you pay too much attention to the foregoing, you may lose much of the relevant information that the other person is trying to convey in words. It is difficult enough just to listen and understand, let alone to also be observing the gestures and movements of the other person. In general, throughout our life, we continue to learn to interpret most of this information subconsciously, which is why I recommend that you make every effort to ask, listen and understand what your counterpart has to say.

Simple advice for your own body language: give a firm hand shake (without using force), look straight in the eyes, avoid sitting in front of the other negotiator, be sincere, smile and behave naturally. The most important thing is to transmit calmness, confidence and transparency.

2. Influence

This document outlines some of the rules of influence that I have been fortunate enough to learn from the finest negotiators at this time.

In general, people believe that all their decisions are rational and, even though this may be true at times, decisions are largely riddled with automatisms.

Our education, prejudices, learning and prior experiences lead us into developing a set of “automatisms” when it comes to analysing, interpreting and solving situations.

Life is a constant decision-making process. Every day we take hundreds of them, so it is impossible to carefully, reasonably and objectively analyse all of them. To survive and become more efficient, we have devised a series of shortcuts that allow us to take decisions quickly in most situations.

If, for example, we must choose between two apparently similar products, one of which is cheap and the other expensive, which one would you select as being of better quality? You see what I mean? Decisions are not based on objective criteria or on a process of rational reflection. You are accustomed to simplifying things and all through your life, as a result of your experience and education, you have come to associate a high price with better quality, though this is not always the case.

The rules of influence will help you understand some of these automatisms and shortcuts, thereby enabling you to use them to your advantage when negotiating, persuading and influencing.

The Rule of Reciprocity

When you do someone a favour, you generate a feeling of indebtedness in him/her. We tend to “re-pay” what others give us.

That is how we are taught from childhood; to say thanks when given something. If a child invites you to his birthday party, you should also invite him/her. When someone does you a favour, you return the favour or you show appreciation...

Doing favours, making gestures, being grateful, allowing customers to try your product, inviting to lunch, being friendly... are ways often used by sellers and negotiators to generate that feeling of indebtedness in others.

Reciprocity is a key factor in the concession process: giving way generates an automatic feeling of indebtedness in the other party. Be sure to take advantage of it.

The Rule of Contrast

The Bellini brothers owned a men's clothes store on a famous street in Milan. The technique they implemented was as follows: One of the brothers, feigning to have hearing problems, was the one who served the customers, while the other was the cashier. Each time a cus-

tomer enquired how much a specific jacket cost, the customer-serving brother would ask the cashier brother for the cost, loudly. The cashier-brother would answer back: "12 ducats". The customer-serving brother with the hearing problems (who was in fact none other than a good actor) would repeat the question even louder since his hearing problem did not allow him to understand well. The cashier-brother would repeat the same answer: "12 ducats". The customer-serving brother would tell the customer what he had heard: "The jacket costs 2 ducats". The customer would hurriedly say "I'll take it, I'll pay you for it now, since I'm in a hurry", thinking he was acquiring something good at an excellent cost.

This is what I call the Rule of Contrast. Nothing is cheap or expensive, good or bad, cold or hot in itself, but may appear so on the basis of the references with which they are compared.

This is the reason why sellers always show the most expensive articles first. Afterwards, any other price will seem cheap because you compare it with the first. It has an additional effect: when you compare the characteristics of a cheaper product (which would have initially satisfied you) to the much better characteristics of the more expensive product, it makes you wonder whether or not the cheap product is sufficient. That is the reason why we often end up spending more than planned when we go shopping.

Does it not feel good to compare the original price (crossed out) to the final discounted price when shopping during sales? Actually, in deciding, the relative difference in the prices weighs more heavily than the final price to be paid.

The Rule of Consistency

People prefer to be consistent. "Consistent" is an adjective that we all perceive as positive. We have been taught that way and it is highly valued in society.

We need to be consistent with our ideas, principles and commitments.

When you take a decision and make an investment or an effort, you tend to convince yourself that it is the correct thing to do.

Every sales person knows that the sale can only be successful if the customer is convinced to make a small investment or a commitment. For example, the customer has to agree to test the product, visit the production site, take time to eat with you or analyse the details of the product. Any small effort will make the customer feel more committed towards your product: after all, he has invested something, he won't want to give it up...

Jokes played on novices, tests to gain access to elite groups, initiation rituals... are acts that groups, clans, tribes, sects... have employed from time immemorial to reinforce group cohesion. When one member makes such an "investment" to gain access to a group, he becomes much more faithful, more committed and more supportive with the rest of the members of the group. In some way, he must convince himself that the effort he made is worthwhile.

Armies with the toughest initiation rites have always been the most revered, for their bravery, their unity and their strength.

The Rule of Consensus

We tend to determine what is correct on the basis of what others perceive as correct. If everyone buys a product it must be because it is good. If everyone runs, we run. When in doubt, we look around us to decide what to do on the basis of what others are doing.

Doing things differently from the majority is actually uncomfortable, it is not accepted and can even be dangerous.

Many people know how to take advantage of such a simple automatism. For example, the inn boys let everyone see the most generous tips. When customers weigh up whether or not to leave a tip, or what amount, they are clearly influenced by the tips they see around them. Some good sellers know that one of the best sales arguments is the testimony of his actual customers. After all, if they have so many important customers, it must be because they are good.

The Rule of Association

We often do business, close deals, enter agreements and relate with people we know and we like.

Who do we like? Those with whom we have collaborated and worked together, those with whom we have a good relationship, those we think are attractive, those who are similar to us and those with whom we associate things that we like.

The Rule of Authority

We have an enormous feeling of respect for authority, whether it be administrative, military, educative or medical...

The force of an argument is multiplied the moment it is backed by an "authority". The best negotiators are capable of seeking the support of "specialists" to back their arguments. Medical product sellers always use opinions of doctors or research institutions to support their sales. A recommendation from the biggest stockbreeder in town would have more impact on the decisions of other stockbreeders than that from an agricultural products seller or from a politician.

In general, we let ourselves be much more easily persuaded by one person to whom we grant authority on a given issue, either because of his/her position, knowledge, experience, power...

The Rule of Scarcity

We give more value to something that is scarce.

Our freedom of choice becomes more limited the less possibilities we have.

Censorship makes people want for more of what is actually censored. Prohibition reinforces the desire to possess or consume the forbidden product. Scarcity increases the demand and value of the product.

Many merchants offer “unique, “limited edition” products. Some negotiators offer proposals with strict time limits for acceptance. Storekeepers shout their wares as “last units available” so as to increase the desire of their customers...

As both a negotiator and a person, taking these rules into account will enable you to use them to persuade and influence others, hopefully with ethics and responsibility, and avoid being consciously or unconsciously manipulated.

3. Communication

A good negotiator is a good “listener”. God gave us two ears but only one mouth so that we listen twice as much as we talk.

How should we listen during negotiations?

We should do it with interest. And actively.

Negotiations tend to unfold in the following manner: A presents its position, B is so busy thinking what to say that it does not actually listen. B presents its position, A thinks B did not respond to what it said and wonders how to repeat it. B also concludes that A did not listen as it should have and thus repeats its position, and so on, creating a dialogue between deaf people.

Listening is not the same as hearing. It implies the use of ears, eyes and heart to perceive the intention, the emotion and the feelings of the opponent.

Effective listening is not valued culturally. More frequently the speaker is valued more than the listener. There is the false notion that the one who speaks the most, knows the most... but it should not be forgotten that the one who speaks most also makes the most mistakes.

Listening is the most economic concession you can make to your opponent. We all have a deep urge to be understood. When we satisfy this need, we create an opportunity to change the course of the negotiation.

Listening allows opponents to air their thoughts, thus making them more willing to listen to you. Estas son algunas de mis recomendaciones:

These are some of my recommendations:

- ◇ To be able to listen properly, you should first admit the fact that the others also think that they are right.
- ◇ The first thing that must be done is: be quiet.
- ◇ Secondly, you should not prepare a response while listening; try to understand the opponent in the same manner the opponents see themselves. Do not interrupt.
- ◇ Take notes. It is important. It helps gain time for thinking, it transmits your interest and avoids confusions, misunderstandings and important oversights.
- ◇ Maintain visual contact, write the questions that need to be answered, use body language to show attentiveness. Do not be distracted.
- ◇ Paraphrase. Show that you do understand.
- ◇ Acknowledge the opponent's point of view. This does not necessarily mean you agree with the other person, but that you accept that their point of view is equally as valid as others and it implies the following: “I understand how you see things”. Also acknowledge his/her emotions. Do not ignore them.
- ◇ It is better to ask than to affirm. Affirmations tend to provoke resistance. Questions allow the other party to explain their needs and wishes. The moment you begin to share their feelings and impressions, you start closing in on the result.

What types of questions to ask?

Ask why?

The opponent reveals a great amount of valuable information on what they want when explaining their position. Encourage them to say more. Do not forget the interests of those you represent. Also ask about the interests of others.

Ask why not?

Generally people unwilling to reveal their interests love to criticise. If they insist on withholding their interests, talk about them and ask them to correct you if you are wrong.

Ask and what if...?

Thus you may prompt them to consider alternatives. Make the conversation a brainstorming exercise. It is useful to generate options to solve the problem without challenging the position of the opponent.

Ask your opponent for advice, as this is another way of prompting them to consider alternatives. Besides the fact that being asked for advice is flattering, it also acknowledges their suitability and status, disarms them and informs you of their problems and restrictions. When they are informed of what the problem is, they begin to feel responsible and proudly take on the positive and crucial role you have assigned them (read my rule on commitment).

Ask why is that fair?

"You must have very good reasons to consider that a fair solution. Please share them with me". Instead of rejecting their position, use it as a starting point for discussing fair rules and criteria. You must sometimes necessarily set the rules if you wish to reach an equitable solution. If they reject a rule, challenge them to suggest something better.

In applying the above, bear in mind that the question is only half of what is necessary to solve a problem. The other half is what can be achieved through that silent moment loaded with emotion that permeates the room while your opponent meditates on their response. It is a common error to deprive them of their creative response time. You may be tempted to help if they do not respond. Don't do it. Silence holds great power.

How to understand better?

Putting yourself in their shoes... and walking with them. Put yourself in their position and prove it to them. This is what modern philosophers mean by empathy or the capacity to view a situation in the same way it is viewed by another. To change the reasoning of another you must understand it.

How should one talk?

You should do so defending your rights while under no circumstances violating those of the others. Modern philosophers would call this “assertiveness”.

The usual way of seeing things is that if one is right, the other is not. The alternative: both parties may be right. Acknowledge the other’s point of view and, without casting any doubts, give your opinion.

- ◇ Talk about yourself, not about others. For example. “I am disappointed vs you broke your word. I feel discriminated against vs you are a racist”.
- ◇ You should focus on their needs, interests, feelings and desires, and not on the defects of your opponent.
- ◇ Speak of impressions, opinions, feelings, etc. A manifestation of how you feel is very difficult to question. You transmit the same information without causing a defensive reaction.
- ◇ Never say “but”. Always say “yes... and”. Do not directly contradict the opinion of the opponent. Add your opinion to theirs.
- ◇ Acknowledge differences with optimism. The fact that you agree does not imply an end to the differences. Sometimes it is actually useful to openly admit them. Once identified, we may realise that the differences are not as big as previously imagined.
- ◇ Do not react immediately. Remain quiet and steady. Think before speaking.
- ◇ Never try to hold back an excited person, allow them to vent.
- ◇ Use short, concise sentences and do not be dogmatic or try to give advice.

4. Pressure and threats

In this second document, I, Antoine Perrenot de Granvela, always at the service of the Crown of the Kingdom of Spain, as its faithful negotiator, wish to talk about power, pressure and threats.

Some years ago, Don Antonio Hernández, master builder, decided to construct a small church on a piece of land he owned in Valladolid. The sole problem was the right of access he needed to obtain from the owner of the jewellery shop located just across the road. Even though Don Antonio was willing to pay for such right, he did not want the jeweller to take advantage of the situation and demand an excessively high price.

In such a situation, it is easy to presume that the jeweller held relatively more bargaining power in the negotiation; Don Antonio needed his permission to be able to construct a building of great height.

To enhance his position of relative bargaining power, Don Antonio employed a strategy I will always remember:

Don Antonio designed two models to show the jeweller.

The first consisted of a precious and elegant church which he showcased as the “perfect neighbour” for the jeweller’s business, as long as the latter granted the right of access. The church, of course, would attract “select” clientele in the area.

The second showed some genuinely ugly one-storey warehouses.

When he had finished with them, Don Antonio visited the jeweller, presented the two options he had in mind and, after buying a beautiful ring, he amicably excused himself from the jeweller and awaited his response.

The jeweller was aware of the fact that warehouses would lead to lots of noise, dirt, insecurity and loading carts that would destroy the neighbourhood. And that would not be good for his business.

With a superb manoeuvre, Don Antonio had managed to turn the situation around. His relative power was now even greater than that of the jeweller.

How then can we increase our relative bargaining power in practice?

- ◇ Searching for something the other party wants.
- ◇ Or better still, that the other party needs.
- ◇ Or even better still, that the other party cannot afford to do without.

In spite of managing to acquire increased relative power, Don Antonio did not use his power to pressurize. Although he could even have threatened the jeweller, he was much more subtle, because he knew that it would not be wise to destroy the relationship or the trust.

To start with, he offered the jeweller an actual benefit; the construction of an elegant church that would attract the rich townsfolk of the area.

He then explained to the jeweller that, without the right of access, he would have to choose another type of building. As a master builder, it made sense to build the warehouses. Don Antonio did not threaten, all he did was present the two possible options.

There is a very subtle difference between options and threats. You have to be careful when presenting such options. Act as if informing, using friendly verbal, cordial and non-threatening language, accompanied by cordial, pleasant and approachable body language. You are simply presenting reality. You are not pressurizing. You are not threatening.

Be certain that the other party stands to benefit from one of the options you present. Spread a red carpet for them so they can feel victorious using one of the options you have proposed. Never push a person to the wall, if they feel cornered, they will have only one available option; to attack.

Therefore, the capacity to pressurize is one thing, using it to threaten is another altogether.

The problem of threatening is that it provokes a sure reaction from the one threatened. In general, you only drive them on to the defensive or will provoke aggressiveness in them, destroying the relationship and damaging trust enormously.

There are other problems with threats: once you make them you are left with two options: to carry out the threat or withdraw it, thus damaging your credibility. None of the two is good for the negotiation. Please note: your objective while negotiating is to open doors, not to close them..

In case you happen to be on the receiving end of the threat, these are my recommendations:

- ◇ Your first option should always be to ignore the threat. Try to continue with the negotiation as if it had not been made. If you take the threat seriously, you will be forcing the other party to either carry it out or withdraw it, and neither is a good option.
- ◇ Should the other party insist, you must be assertive in making it known that you do not believe threats are constructive in negotiation. If you do not make yourself respected, no one will respect you. Now is the right time to emphasize the possible benefits the other party may lose if an agreement is not reached.
- ◇ You have two possibilities if the threat still continues, depending on whether you have to reach an agreement. If it is not absolutely necessary, this is the time to terminate the negotiation.
- ◇ If you really must reach a deal, you should openly acknowledge the power of the other party, thereby recognizing their power and feeding their ego. This way, they will be forced to change their tone. With their power acknowledged, the other party will stop being on the defensive and lower the level of aggressiveness.
- ◇ You should then try to buy time. Normally threats lose their force with time. If the threat was not carried out at the outset, it's because they believe it may not be necessary and

you are being given an opportunity. It's now time to try to set up a line of communication.

- ◇ After setting up this line of communication, do not let the situation settle. Start by making smaller concessions that the other party may appreciate. If possible, ask for something in return.
- ◇ Finally, in such difficult negotiations we cannot allow the others to think they can achieve all their demands, Therefore, sooner or later you would have to make them see that they are going to lose something specific if an agreement is not reached.

After all these years, I take the liberty to give this advice: try not to pressurize or threaten in any shape or form because:

- ◇ Short-term benefits become huge long-term costs.
- ◇ It will destroy the relationship and erode your mutual trust.
- ◇ There is the risk you'll have to carry them out or otherwise lose credibility.
- ◇ You will provoke a negative reaction.

5. Assertiveness

Today I want to talk to you about an attitude that is extremely useful in negotiations and in life in general: assertiveness.

Assertiveness is an attitude, that of defending your rights without hurting those of others.

Although there is no guarantee, it enormously increases the probability of dialogue and of avoiding conflicts.

To provide a better illustration, we shall talk about three different types of attitude: passive, aggressive and assertive.

Here is an example: imagine that at work a workmate treats you in a manner that you do not consider polite and respectful.

You have three options:

The first is to keep quiet and say nothing. This option ensures that you will continue to be treated in the same manner, destroying your self-confidence, the respect from others and your self-respect will vanish and, with time, the situation will probably boil over generating a conflict that could have been avoided. It is evidently an option I do not recommend.

The second option is to try and stop this behaviour by speaking with your workmate. You may tell them, in a friendly way "you are being rude to me. You are also being disrespectful". Your workmate may respond by going on the defensive: either denying it or even attacking you. Apparently we have not done anything wrong. But in spite of our "friendliness", we have actually called them "rude" and "disrespectful". Although we are insulting them in a "friendly" manner, we will run into a predictable reaction; defensive or aggressive. In either case, we have lost the opportunity to create dialogue and solutions. This option, we shall call aggressive.

The third option left to us is assertiveness. We need to put an end to this behaviour of our workmate because it is unacceptable and we must defend our rights without any assault. We may say something like "you upset me by talking to me the way you do". This sentence holds two great advantages: on the one hand, the workmate cannot deny it since you are talking about your emotions, your feelings. They cannot say "no, no... it doesn't upset you". It is undeniable. On the other, it is highly probable that the workmate will think of posing such questions as: "Why are you getting upset?" or "How do I talk to you?" The workmate will thus be starting a dialogue and not a conflict. You may now decide to explain your reasons calmly citing the relevant examples.

The difference with the aggressive option is that you are not talking about them, or about the bad that they do, nor judging or criticizing them. You are talking about yourself, about what you think, your emotions, your feelings.

Assertiveness, therefore, can be said to be an intermediate option between the passive and the aggressive.

This attitude does not lead to miracles. If you are faced with someone who is unwilling to change, you may not be able to do anything. That said, if there is a chance that the person can change, assertiveness would be of great help in achieving it.

To be assertive, you must always use polite and friendly language. Use specific examples, objective data, do not generalize, do not judge, do not criticize and do not attack others. Talk about yourself, of your opinions, emotions and feelings. Do not talk about, and do not label your workmate. Talk about the specific behaviour that you do not like.

- Aggressive: "This report is badly done". "This report is unprofessional".
- Assertive: "This report is missing the sales data for last month".
- Aggressive: "Your old van is ugly". Assertive: "I don't much like your old van".
- Aggressive: "You are rude". Assertive: "I feel very uncomfortable with you shouting at your workmates in the office".
- Aggressive: "Your behaviour is very unprofessional". "You do not seem committed".
- Assertive: "I don't like you arriving late to work. This past week you have arrived late for work three times".
- Aggressive: "You are a rude kid". "You don't behave well". "You're a disaster".
- Assertive: "I don't like you leaving your room in such shambles". "You know that I feel upset when you fail to make your bed".

Another of the useful things about assertiveness is that it makes saying "no" very easy. Both in negotiations as well as in life in general, it is essential to be capable of saying "no" when you deem it convenient. Many people find it hard to do so. Others are simply incapable of doing it. Whatever the case may be, not being able to say "no" when you want to is a clearly passive attitude.

The steps for saying the assertive "no" are as follows:

- ◇ A) Say "no".
- ◇ B) Give the reasons. Do not justify.
- ◇ C) Offer alternatives. It will make it much easier for the other to accept the "no".

For example, you are working on an important issue for which you are struggling to meet the deadline when someone asks you for a few minutes to talk or have a coffee. You have three alternatives:

1. Passive: Let him interrupt your work. "Okay, sure. But it'll have to be quick, okay?"
2. Aggressive: Ask them not to disturb you. "I'm very busy right now". "I don't have time for coffee".
3. Assertive: "Right now I can't. I'm tied up with these papers which must be submitted today and time is not on my side. What about if we meet up when I'm through? Shall we talk about it over lunch?"

A passive attitude is not enough to defend our right to work without interruptions. With the aggressive attitude, we damage the relationship and make the other person feel bad. With the assertive attitude, we defend our right without hurting the other person. It's actually

more than likely that the person will begin to think which of the alternatives they prefer before even realizing that we have said no.

Although it is not easy, with practice and the right attitude, you can work on this ability, which will offer innumerable benefits in your interpersonal relations and in your negotiations.

6. Table of Arguments

"I can assure you that I was quick to come of age... and from a very early age I realized that the best improvisation comes from good preparation"

Whenever you have to prepare a proposal in a negotiation, use only a few, but solid, arguments. Generally, we think that the more arguments we use to back our stance, the better our chances of persuading the other party. Reality indicates otherwise: when lots of arguments are used, some of them often lack sufficient consistency, which the other party is sure to take advantage of. Never forget the following motto: "An inconsistent argument weakens the impact of the most consistent".

Below is an explanation of the type of arguments to prepare before venturing to make any proposal:

- ◇ To begin with, you should have in-depth knowledge of what you offer, meaning "what should be known". We shall call this "technical arguments". You should be ready to show that you have the best knowledge of what you're offering. Otherwise, you will lose your credibility.
- ◇ You must then find out what the other party stands to gain from your proposal: money, health, love, happiness, security, entertainment, savings, stability... An intelligent negotiator will first find out what the other party actually wants (during the process of exchanging information) and then analyse how their proposal can provide it. In other words, "what should be said".

There will be other aspects that your proposal cannot provide or that may even be to their detriment, namely "what should not be said".

We shall call this second set of arguments "sales arguments".

- ◇ You will then have to define the advantages your proposal has over other possible proposals the other negotiator may put on the table. We shall call these "comparative arguments".
- ◇ Finally, you must be able to anticipate possible objections that the other party may raise and prepare the appropriate arguments to counter them. These will be your "countering arguments".

These four kinds of arguments must be meticulously planned before starting the negotiation. I recommend you write them down in a table that you can then use during the negotiation.

7. Tactics

I have always thought it much more intelligent to negotiate by seeking common interests and building long-term relationships. If you are able to work together with the other negotiator to meet the interests of both parties, it's more than likely you'll end up finding solutions that will satisfy you both.

In spite of this, there are those who insist on treating negotiation as a competitive game in which the main objective is to win more than the other party, regardless of interests.

This kind of basic and rather unsophisticated negotiator uses competitive tactics with which they intend to deceive, destabilize and pressurize the other party.

My recommendation is absolutely clear: never use such techniques because they seriously damage relationships and trust.

In any case, purely for your information and so that you may know how to handle such techniques when used against you, I will briefly summarize some of the most commonly used:

Deliberate deceit

False facts and data:

- ◇ Seeking to deceive and confuse you
- ◇ Always verify data
- ◇ Separate trust from the negotiation

Ambiguous authority:

- ◇ When the deal is sealed, they may tell you that their superior has to grant his approval
- ◇ The aim is to get a second bite at the apple
- ◇ Clarify their decision-making authority before starting
- ◇ Play along. Tell them you'll also have to talk it over with your boss/partner

Feigning ignorance:

- ◇ They seek to extract information
- ◇ Try not to give too much information

Dubious intentions:

- ◇ You think there is a possibility that some part of the agreement will be breached
- ◇ Ensure the contract is ironclad

Psychological war

As a general rule, their aim is to make you feel uncomfortable, so that you subconsciously want to end the negotiation as soon as possible.

Stressful situations:

- ◇ Uncomfortable, hot or cold conference rooms, uncomfortable seats, waiting, interruptions...
- ◇ Find out if the other party is causing you stress
- ◇ Resolve the situation assertively

Personal attacks:

- ◇ Recognize the tactics
- ◇ Make it known in an explicit manner
- ◇ Assertively insist that the other party refrains from such behaviour

The “good partner/bad partner routine”

- ◇ Recognize the tactics
- ◇ Continue defending your position even after the “good” partner throws the bait

Emotional outburst:

- ◇ An attempt to destabilise you through shouting, crying, aggressiveness...
- ◇ Endure and let the storm pass
- ◇ Do not enter a vicious circle (do not dance to their tune)
- ◇ Take a break

Threats:

- ◇ A way of pressurizing you to take certain decisions
- ◇ Try evasion by ignoring them
- ◇ If the other party insists, assertively demand a change in attitude

Ultimatum:

- ◇ Handle it as what it is: a kind of threat
- ◇ It tries to force you to take a quick decision
- ◇ Never hurry your decisions

Positional pressure

Refusal to negotiate:

- ◇ Watch out! They may be after an initial concession from you
- ◇ Find out what they would gain by not negotiating
- ◇ Suggest options
- ◇ Use objective criteria

Farfetched demands:

- ◇ Their aim is to reduce your expectations
- ◇ It can undermine credibility and relationships

- ◇ Use an objective criterion to defend your stance or demand an objective criterion that justifies theirs

Growing demands:

- ◇ Throughout the negotiation their demands keep growing
- ◇ They manage to give up less and affect you psychologically
- ◇ Never give up anything for no consideration and always demand something in exchange

The hard-to-handle-partner:

- ◇ The negotiator will accept the agreement is reasonable but will say their “partner” will not agree
- ◇ The other party is after additional concessions
- ◇ Ask to be allowed to talk to the other partner with them. After all, the party present agrees with your proposal

Calculated delay:

- ◇ They are waiting for the best time for them or are trying to pressure you
- ◇ Negotiate the process and the timeframes for decisions
- ◇ Include variables that add pressure on them

Superior authority:

- ◇ They want you to give up more to be able to convince their superiors
- ◇ Find out the power they actually hold before the negotiations begin
- ◇ You also have superiors that must agree with the proposal

“That’s our standard agreement”:

- ◇ The aim is to make a written agreement seem untouchable
- ◇ Ask for time to analyse it and return it with variations

Last minute requests:

- ◇ After having agreed on all the points but just before signing the agreement you may be asked to make one more concession
- ◇ Don’t give in
- ◇ If you do, ask for something in return

What is important in all these cases is recognizing the tactics, setting out the topic explicitly and assertively questioning the legitimacy and appropriateness of the tactics.

Challenging their tactics not only renders them less effective, but may even force the other party to stop using them. Above all else, it affords us the opportunity to negotiate the rules of the game.

8. Closing the deal

By the time the negotiations reach their close, you will probably be in a hurry to seal the agreement. But do not get carried away; this moment is crucial. Remember:

- ◇ Be alert and scrupulous, paying attention to detail. Verify everything, search for inconsistencies, check figures, pinpoint any possible misunderstandings.
- ◇ Spoken words go with the wind. Do not enter into verbal agreements. Only written documents are binding. Verbal agreements may endanger your relationship in the long term
- ◇ A good negotiator rarely takes important decisions there and then. Psychological pressure to please and to yield is immense. A little time and distance helps us to stand back from the problem
- ◇ The final offer should not come as a surprise. It should be a logical extension of what had been discussed till then. Nothing like “take it or leave it” and no open proposals
- ◇ Splitting the difference into arbitrary figures results in arbitrary agreements. But splitting the difference into supported figures based on independent, legitimate and persuasive criteria is a good way of ensuring a fair result
- ◇ Clarify all details and define them in-depth. Being careful at such time may protect you from future problems. Small print is small for a reason
- ◇ Remain calm. You may stumble or arouse suspicion in the other party
- ◇ Handle the moment with respect. Make it important. Embrace it.
- ◇ Do not lose sight of the practical side. Negotiations are only over when the agreement has been performed.
- ◇ Design an agreement that minimizes your risks. You do not have to show distrust but do not be automatically trusting.
- ◇ Incorporate a procedure to resolve possible disputes.
- ◇ Ensure continuing good relations. For as long as you depend on the other party to fulfill the agreement, the best thing is to maintain good working relationships. Friendly words and symbolic gestures go a long way. The best guarantee for a lasting agreement is a healthy working relationship.
- ◇ Review the conditions. Over time, even the best win/win ventures may become win/loss or loss/win, or even loss/loss, if you fail to update and pay due attention to the agreement by reviewing the interests of each party and by seeking new options both within and outside the relationship.

9. Preparation Form

To help guide you in preparing your negotiations, I recommend you use the following form:

- ◇ First: Your interests. Your objectives.
- ◇ Second: Their interests. The questionnaire.
- ◇ Third: Arguments to increase trust.
- ◇ Fourth: Study the alternatives. Search for and generate alternatives.
- ◇ Fifth: Prepare a list of variables to use.
- ◇ Sixth: Locate all the objective criteria that you're going to need.
- ◇ Seventh: Design your support.

Lessons

1. Phases of the negotiation

How are you, Carlo?! It's good to see you! First off, I'd like to congratulate you on finishing your apprenticeship. It's been a hard six years but I can assure you that, in time, you'll be thankful for the experience and knowledge you've acquired as an apprentice. Until now, I have been your Master, but from now on, as you know, you are an independent Merchant. Just yesterday I was told you were accepted by the Guild.

The decisions you make in the next months will largely determine the future of your company... and your life. It will be difficult, but exciting as well. Along the way you can count on all the help I can give you. I will stop being your Master but, if you wish, I will continue to be your mentor.

Apart from the business decisions you'll have to make using what money you've saved and the small ship you've acquired, one of the most complex challenges that you will face will be negotiating. Until now, as your Master, I have structured the most important agreements, but from now on, you will have to do it.

I'd like to give you some advice about the negotiating process that may be of use to you:

Negotiations have two distinct phases; each with a specific objective. The first phase is the exchange of information. The second is for proposals or bargaining.

During the first phase, the fundamental objective is to discover the needs and interests of the other party. If you can't understand the concerns of the other negotiator and what they want, it will be impossible to make a proposal that they will be willing to accept.

Before the negotiation you should look for relevant information, data, background information, objective criteria, etc. During the negotiation you should pay attention, observe, have empathy, listen closely, take notes and, especially, ask many, many questions. Questions are your main tool in getting the information that you need. It's important to realize that asking revealing questions is not as easy as it seems and improvising is nearly impossible. Therefore, I strongly recommend that before any negotiation you prepare questions designed to provide you the information you need.

Poor negotiators too often jump directly to the bargaining phase and concentrate on selling their proposal to the other party. If you think about it, this is a futile exercise. How can you hope to satisfy someone's interests if you don't even know what they want? And, of course, the harder you try to "sell" your proposal, the less likely the other person will buy. This type of high pressure sales approach will put the other person on the defensive and raise their suspicion. They must feel that they have made the choice and have not been convinced or manipulated into a decision.

During the proposal phase, I make an initial offer which takes into account the interests, needs and concerns of the other party (and of my own, of course). If the proposal is satisfactory, they will accept. If not, they will normally make a counteroffer. From this moment, we begin a process of concessions that will bring our positions together until we reach an agreement. If we

cannot close the gap, the negotiation will fail.

It's not the end of the world if a negotiation fails. Not all negotiations have to end in a deal. The important thing is that we satisfy our interests in the negotiation, and of course, that we don't agree to a deal that isn't satisfactory.

Your objective during the proposals phase is to structure a proposal that is close enough to their position that it will be accepted. The more successful you are in the information-gathering phase (discovering the real concerns, needs and interests), the greater the probability that you can create a proposal that satisfies both their interests and yours.

It is important to remember that you must understand the interests of the other party before you can create a proposal that satisfies them. First interests, then proposal.

Negotiations are not only a question of interests. Trust also plays a vital role. We negotiate with people. The relationship we build with them will have a significant effect on the negotiation, the possibility to reach an agreement and, of course, any future negotiations. We can only profit in the long term if we can establish and improve relations with those with whom we negotiate.

Trust must be established from the very first meeting and should be reinforced throughout the two phases of the negotiation. Even after an initial agreement is reached, you must continue to strengthen the relationship.

During the negotiation, everything affects trust: how you speak, what you say, whether you show concern, your way of listening, your sincerity, the proposals you offer, your ability to address their interests, the balance of the agreements, etc.

I want to give you some advice for building and maintaining trust in your relationships with other people: show sincere interest in their problems, pay attention to the little details, always keep your promises, clarify expectations, demonstrate personal integrity and sincerely apologize if you make a mistake.

I won't go on, but, always remember: During the first phase, when exchanging information, discover the interests of the other party. In the proposal phase, create proposals that satisfy those interests and, during the entire process, strengthen the relationship and build trust.

Carlo, I advise you to keep these two ideas in mind during your negotiations: trust and interests. They will make reaching agreements much easier.

I wish you the best of luck in this new adventure. And remember, I'll be here to help when you need it. See you soon.

2. Blame and the zero-sum game

How are you, Carlo?! Welcome back!

I heard you encountered some problems with Teo Cabaldi. He's a tough negotiator but a good person. I've worked with him a lot over the years and he's stubborn as a mule but always makes rational, intelligent decisions if you can show him that a deal is in his best interests and that he can make some money.

From what I understand, a mistake has led to some additional costs on a shipment. This is a familiar story and happens often in our guild.

Generally, these situations are easy to resolve. Only poor negotiators complicate these things more than necessary.

Poor negotiators usually do two things: first, assign blame and second, divide the pie (in this case, split the additional cost). I hope that after six years with me you haven't fallen into either of these traps.

The first is the most dangerous. The majority of people start such a negotiation trying to find out who made the mistake so as to assign blame. Basic human nature makes this a futile, if not impossible exercise. It causes conflict, wrecks the relationship and creates mistrust. After arguing for a while, we will probably never agree because people, in general, don't like to admit their mistakes or show weakness in a negotiation. Most likely we will reach a dead end or, at best, agree that both parties are to blame. Regardless, we will have made no progress in resolving the original problem and may have actually taken a step backwards because we have lost trust.

Negotiations should begin by finding common ground, establishing joint interests, and focusing on things on which we agree. You must build on these common issues which, generally speaking, are the majority, and then gradually deal with areas of greater disagreement. Following this process improves the relationship, enhances communication and builds trust, which greatly facilitates the rest of the negotiation.

Put yourself in their place, empathize, show interest in resolving their needs. You have to demonstrate that you're both interested in the same end and not against one another.

There is no fault in negotiations, only problems to be resolved. Therefore, you have to dedicate your time and energy to finding solutions to the problem, and not arguing about who is to blame.

The second bad habit of is merely to "share the pie" or otherwise engage in some zero-sum game. One of these days I will speak more about this idea. But, for now, I just want to make it clear that sharing the cost is not the only solution to a problem like the one you've had with Teo.

A good negotiator must have a broader perspective on things. They must be able to find new variables or elements that offer added benefits and to consider the long term rather

than focus only on today. A good negotiator will be creative in satisfying the interests and needs of both parties.

A poor negotiator will focus exclusively on sharing the cost. This type of win-lose haggling will create tension and mistrust and make it more difficult to find a solution that satisfies both parties.

Good negotiators are able to add new variables, generating additional benefits for both parties and finding solutions to the concerns of each negotiator (for example, your lack of liquidity or the inability of Teo to spend more money on this shipment). Thus, successful negotiators are able to transform a problem into an opportunity for mutual benefit.

Evidently, this is only possible if you have been able to discover the interests and concerns of the other party beforehand, as I told you the other day. Remember: interests first, then proposals.

If you can do this; if the problem is solved and both parties profit from the situation; the mistake, and your responsibility, become irrelevant. What I recommend is that once this situation is resolved, you establish clear procedures and norms to avoid these types of mistakes and the conflicts they bring.

To summarize:

- ◇ Avoid assigning blame.
- ◇ Don't divide the pie, but rather look for mutual, long-term benefits.
- ◇ Use variables to resolve the different interests and concerns.
- ◇ Build on what you share in common. Show you are with them and not against them.

Well, Carlo. I hope I've been of some help to you. I have to go now because Antonio, the Spaniard, is waiting to show me a new type of Castillian wool he's brought from Medina del Campo.

We'll speak again tomorrow!

3. Power

My dear Carlo! I'm glad to see you again!

The other day I wanted to talk to you about a few things but I didn't have time... but it was worth it... I had no idea the Spanish had such high quality wool!

I think we were talking about the habits of poor negotiators to...ah yes, I think I remember correctly...you know my memory isn't what it used to be...

Of course, I trust your negotiations with Teo went well.

Well, let's get down to business. Before you find yourself in another difficult situation or you have to negotiate a new agreement, I wanted to make sure you know that, although everything can be negotiated, you can't always negotiate. Negotiations need, as they say in Latin, a "sine qua non" condition. That is, that both parties want to reach an agreement. You will come across people who will sit at the negotiating table but have no interest in negotiating. Some won't even sit down.

The most frustrating situation is when people pretend to negotiate but, in reality, have no intention of doing so. In this case, the sooner you realize this, the less time and energy you will waste. When a buyer imposes his conditions, it isn't a negotiation; an auction is not a negotiation; a tender is not a negotiation.

In these cases, you have to decide if you will play the game and accept the imposed conditions or look for alternatives elsewhere.

Depending on the relative power of the two parties, you should accept the imposed conditions or negotiate; or even impose your own conditions.

The greater your relative power, the easier it is to modify the proposals of the other party to your benefit, and vice versa.

Power relationships depend on who needs the other less to be able to satisfy their interests; that is to say, the one with more alternatives to satisfy their interests outside the negotiation. Therefore, it is the quality and quantity of these alternatives which establishes the power relationship during a negotiation.

The most interesting thing is that, during a negotiation, what really counts is the "perceived" relative power. Even if you don't have the relative power, by convincing the other party that you do, you will have de facto power. Therefore, during a negotiation you must infer (subtly) that you have many alternatives, while making the other party feel that they have few alternatives, which are of course, worse than what you are offering. It is on this point that you must make a special effort: you have to be able to differentiate your offer from the alternatives of the other party.

Never show need, pressure, tension or desperation. This will only reduce your relative power.

Anything you do to increase your alternatives (real or fictitious) contributes to increasing your relative power. For example, time. The more time you have, the more opportunity you have to find, structure, or “invent” alternatives. If time is against you, you lose relative power. Information can also help. The more information you have, the better you are able to find, structure, or “invent” alternatives. And most important of all, the more complete your information (especially about your alternatives) the more “real” and accurate your calculation of your real relative power will be.

There are other elements which can also serve to increase your relative power; elements which depend on you; for example, your creativity and your ability to communicate. Creativity can help you to find, create or “invent” alternatives. Communication can serve to obtain information from the other party, understand their real alternatives and, of course, to convince them of your relative power.

The trust they have in you, your self confidence, credibility, integrity and the respect that you’ve earned are all elements that will be of great use in establishing relative power during a negotiation.

Regardless of the amount of power you have, a certain level of respect is essential during this process. Show yourself to be credible, respect yourself, and this will help to earn the respect of the other person. Without that, the whole negotiation falls apart.

I recommend that you observe negotiators around you. Watch the ones you consider the best, those who are usually successful. Observe, ask, analyze. How do they prepare their negotiations? How do they speak? How do they present themselves? Why are they respected? How do they create their proposals? What variables do they use? You can learn a lot from others.

Relative power is only a starting point in a negotiation. Whether you have it or not, the most important thing is to be able to create proposals which satisfy the interests of both parties. If you can make proposals which are beneficial to the other party, relative power assumes a secondary importance. Therefore, you must develop both elements simultaneously.

In my career as a merchant, I have been able to make some magnificent deals while having very little relative power. The trick is to offer real value to the other party. Few businessmen are too shortsighted or too proud to pass up a good opportunity. On the other hand, I have also seen negotiators fall into the trap of using their relative power to threaten, pressure or take advantage of the other party, only to end up with nothing.

To sum up: verify that the other party is really interested in negotiating, Look for and create alternatives to increase your relative power and find ways to transmit your negotiating position to the other party. Don’t forget that perceived power is equally, or more important than real power. Never lose sight of your main objective: to create proposals which satisfy the needs of both parties.

I think there are some interesting documents on pressure and threats on the shelf...

...leave me now, Carlo, because I need to rest... my body constantly reminds me that I'm not so young any more...

4. Interests

It seems that your negotiations with Daniela have become a bit complicated. Well, you know how she can be...

Now that you're here, I'd like to talk to you a little more about interests.

The fundamental objective of a negotiation is to satisfy the interests of both parties. First interests, then proposals.

Your main objective in preparing for the negotiation and in the exchange of information phase is to discover the interests of the other party. Some will be explicit but others will be implicit. Some will be placed on the table quickly; others must be obtained through great effort. They will tell you some and others you will have to deduce. The most important thing is to understand that when a negotiator says "no" it is usually related to some unsatisfied interest.

When the other party does not accept your proposal, you should always ask: Why not? What must be included to make you happy? Is there something that I'm not taking into account? Are some of your interests not being met? What don't you like about the proposal? And any other questions that will help you to understand which aspect of their interests are not met by your proposal.

Therefore, if you receive a "no" from Daniela it's probable that there is something important to her that you are not taking into account in your proposal. Remember, sometimes a hidden interest has more weight than an explicit one when deciding to accept or reject a proposal.

As you see, I put a lot of emphasis on discovering interests. It's common sense. We sit down to negotiate in order to satisfy our interests. If this doesn't happen, why accept the proposal? You must investigate, ask questions, observe, deduce, use your intuition and interpret the information to understand the other party.

Of course, the proposal should not only satisfy the interests of the other party. Obviously, you must also satisfy your own interests. Many people do not clarify their objectives and interests before sitting down to negotiate. This is a very serious oversight which leads novice negotiators to make many mistakes.

A dangerous mistake related to the lack of clarity of interests is what I call "changing" interests. That

is, the negotiator changes their essential interests according to the progress of the negotiation. They see an opportunity to obtain more, and despite having achieved their objectives, pull and pull on the rope until it breaks. Or vice versa. When they see that the negotiations are going badly, they lower their demands below their interests and end up accepting a bad deal.

Let me give you a recent example: last month Teo Cabaldi and I, as representatives of the guild, had important negotiations with the Genoans. The issue was to send joint expeditions

to the Black Sea to avoid pirate attacks. This would allow us to reduce the cost of escort ships significantly. Our fundamental objective was to get them to pay 65% of the costs of the escort. With that we would consider ourselves lucky. When we proposed this, they accepted it. It all seemed so easy that we thought we could get more, so we said that the Guild insisted as a sine qua non condition that Venice would decide the calendar for the expeditions. The Genoans rejected this outright. Without intending to, we began arguing about who would decide the calendar to the point where tempers flared, the negotiations broke down, and the relationship was severely damaged. And all because of an issue that wasn't even one of our essential interests. We had achieved what we wanted: they accepted joint missions and agreed to pay 65% of the escort costs, but we changed our interests and ruined the negotiation.

When negotiating, you should concentrate on what you want to gain. Not on what the other party gains, regardless of the relative power you have. I know it's only natural but you should avoid it. If you achieve what you want, it doesn't matter if the other party gets a lot, or even a lot more than you. You negotiate to achieve your goals, not to balance profits. In fact, it is in your interest that the other party gains a lot in your negotiations, because this means they will be satisfied and want to do business with you again. That is, you are establishing a long-term relationship.

Concentrate on your objectives and achieve them. I know it's hard sometimes. For example, the other day I sold a warehouse I had near the Grand Canal. I knew that it was worth about 200 ducats, so I asked for 230 to have some room to bargain. The third person who came to see me agreed to the 230 without haggling. Can you believe that instead of being happy about the extra 30 ducats, I was angry because I could have gotten more! I almost hesitated to close the deal! The next day I realized what had happened to me. It's only human, but also a bit ridiculous. That same night I went to dinner with Rafaela to celebrate. I'd received 30 ducats more than expected!

Be careful with changing interests. They can cause you to push too far, create obstacles that don't exist or even invent difficulties to put pressure on the other party. This will only lead your negotiations to a dead end.

5. Interests vs positions

Congratulations Carlo! The Papal States just notified the Doge that they will support our intervention in Florence. Thanks to your agreement with Daniela we will be able to include Pisa and Florence in our zone of influence. Our economy will benefit and many merchants in the city are grateful to you. You have gained a lot more credibility.

With this latest negotiation I hope you have reinforced your knowledge about interests, although I have a few things I want to mention to you.

There are two radically different ways to consider a negotiation: to concentrate on positions or concentrate on interests.

I spent the afternoon with Ennio the other day. At one point, he had to get up to discipline his children who were fighting in the kitchen. Apparently they both wanted the last three oranges. After calming the situation, Ennio split an orange and gave one and a half to each. A sharing agreement based on positions (an orange and a half each).

Poor negotiators tend to concentrate on positions. Each one is focused on defending their position and attacking the position of the other party.

As negotiations progress, to defend your position you dig a trench, build a wall. You also look for arguments to attack and weaken the position of the other party.

As you construct your defenses, you have less and less mobility. You enclose yourself in your wall, which doesn't just defend you, but impedes you from maneuvering. And if anything is important in negotiations, it is precisely the ability to be flexible, creative and generate different options.

The other negotiator has the same experience and you fall into a vicious cycle from which it is increasingly difficult to escape; a game which causes tension, erodes trust and ruins the relationship.

As a consequence, you forget about interests and fight about position. Your creativity is focused on defending your position and attacking that of the other party, instead of resolving the problems.

Although you may haggle to reach a shared agreement, it is very likely that the agreement doesn't satisfy your interests.

Negotiating is not a competition, although we often turn it into one. This may have to do with the fact that we are taught from a young age to be first, the strongest, the fastest, the best. Winning is what matters; beating the others. In fact, I don't know of a children's game where two teams can win if they work together.

In negotiations, however, both teams must win. If the interests of one of the parties are not satisfied, there's no deal. And even if an agreement is reached, it's probable that the conditions of the deal will not be met and of course, future negotiations will be unlikely. Negotiations have two principal objectives: resolve interests and construct long term relationships.

If you want to think of negotiating as a game, think of it as a puzzle; a puzzle that has to be solved by both parties. Each piece is an interest and the puzzle consists of the interests of both parties. The game becomes a collaboration in which the energy and creativity is directed at fitting the pieces together rather than guarding your pieces and attacking the other person's. Do you realize what a change of focus this represents? Negotiations are a game of co-operation, not a game of competition.

Going back to the case of Ennio and his children: I asked him for permission to intervene. I asked each child why they wanted the oranges. One of them said he wanted juice because he was very thirsty. The other wanted the peels of the oranges to make a cake.

By concentrating on interests rather than positions, I was able to create a solution where both children won. One had three oranges to make a big glass of juice and the other had three oranges to make a delicious cake. They had three oranges each! Interests are what is important, Carlo, not positions. With this solution we don't divide the pie, we make it bigger.

To solve the puzzle, you need all the pieces. You have to make it clear what your interests are and you should ask, discover or deduce those of the other party. Don't be afraid to put your interests on the table. This is the only way the other party can attempt to satisfy them. Your interests can't be used against you because you will only accept a deal which satisfies them.

I want to give you one last example. As you know, the Neapolitan territory of Pontecorvo is an area of constant skirmishes. Two years ago, the Pope decided to invade this territory to guarantee the security of Rome and its surroundings. Naples has been demanding its return ever since. The first negotiations broke down because they focused on deciding what part of the conquered territory should be returned and what part not. Sound familiar? Haggling and dividing based on positions. Obviously, no deal was ever reached. After various failed attempts, the negotiators managed to identify the interests of each party: the Pope did not want Neapolitan military forces so close to Rome. His principal interest was security. Naples wanted to recover its sovereignty over the territory.

With the pieces of the puzzle on the table the solution was simple: Naples recovers the territory of Pontecorvo but it remains a demilitarized zone. Thus, Neapolitan military forces are not close to Rome and Naples recovers sovereignty over the territory. You see? A solution based on interests and not positions or borders.

The conclusion: Concentrate on interests. Forget about positions. Co-operate with the other party to fit the pieces of the puzzle together and maintain and strengthen long term relations.

My goodness, look at the time! You'll have to excuse me but they are waiting for me...

6. Variables I

Good morning Carlo, today we are going to talk about negotiation variables, probably one of the most important lessons that I have to teach you.

Negotiating is carried out according to a series of variables. It may be in terms of price, which is a variable that may rise or fall. If the price rises, one side wins and the other side loses. The same occurs in the case where the price falls. When playing with only one variable it is difficult to reach a point where both sides are satisfied.

To do so means that you must enter into competitive negotiation which is exactly what we are trying to avoid.

The most sophisticated negotiators are able to introduce a great number of different variables into the negotiating process. By doing so, they considerably increase the possibility of reaching an agreement where both parties feel satisfied.

These negotiators include other variables such as quantity, payment terms, guarantees, insurance, additional services, delivery times, etc. The best negotiator is one who is creative enough to find or devise the most variables possible for the operation at hand. The idea here is combinations; the greater the number of elements, the greater the number of possible combinations.

Let me give you an example. Imagine that you want to buy a lamp in the market.

You have been discussing the price with the seller for some minutes and you note that the situation is gradually becoming tenser. It seems that there is no chance of reaching an agreement as your positions are very different. At this moment, you propose to buy two lamps instead of one. This is a key moment in the negotiation. As if by magic, the positions of both parties become more flexible. From this moment on, you are managing two variables instead of one, and this allows you to move in different directions to compensate needs and find a combination which is mutually satisfactory. By buying two lamps, the seller is willing to accept a price reduction.

The more variables there are on the table, the easier it is to make combinations. Obviously, with only one variable it's impossible.

The best negotiators in the world are not only able to include many variables in the process of negotiation, but are also able to find what I would call "magic" variables, or what economists like to refer to as a "Pareto improvement".

A magic variable is one that implies little or no cost for you, while being of great value to the other party. Or vice versa. A variable that improves your position greatly without making the other party worse off. This difference creates situations which are mutually beneficial.

You have probably heard of win-win situations. I like to call it WIN-WIN as it implies that both parties win a lot more. There are two ways to set about negotiating, with an attitude of limitation, focusing on scarcity; or with an attitude of abundance.

You can dedicate your time to slicing up the pie or you can think of how to increase the size of the pie to the benefit of both parties. This is achieved using variables; specifically “magic” variables that allow us to focus on abundance.

Let me give you an example: Next week we must close a deal with Paulo Corina. We have to agree on the final price for the transportation of a load of books and scrolls to Lebanon.

We could spend more time discussing either maintaining the price or offering a discount of 5 or 10%. Obviously, this is a competitive game with a clear focus on scarcity. We would reach the same conclusion.

After a long discussion, which generates tension and places our long term relationship at risk, one of the two parties must give in, thus feeling unsatisfied with the agreement. We are not talking about a lot of ducats, but this becomes a battle of egos which will seriously damage the level of trust. What we should do, however, is face the negotiation with a spirit of abundance, trying to find the best way to increase the size of the pie rather than slicing it up. The biggest discount that we can offer is 30 ducats. Even though we are making a big sacrifice, he will feel that he is still paying too much. What should we offer?

Paulo owns one of Venice’s most influential papers. Simply appearing in this newspaper would imply an automatic increase in the popularity of our brand. What would it cost him to interview us and include it in the next edition? Something close to 0. What value does this have for us? Probably much more than the entire price of the shipment. Do you see? Here we have a magic variable. For him it costs practically nothing and for us its value is great.

What do you think about offering him a discount of not 5% or 10% but 30% in exchange for an interview in the newspaper?

Do you think that we can reach a mutual agreement? I know him, and I have no doubt he will say yes.

Last week something similar happened with the contract of Antonia Cardone. We were stuck negotiating on the price, until we offered him insurance on his cargo. The market value for this type of insurance is a lot higher than what it would cost us. As a result, we were able to maintain the price (and margin) and Antonia felt completely satisfied.

Always remember, Carlo, we seek to create long term relationships and to do this, you must always satisfy the interests of both parties.

You must look for the largest possible number of variables in each negotiation, and you must strive to find, create or invent the magic variables which can increase the size of the pie almost without limit.

7. Variables II

Variables should be used following a series of stages.

We begin with your initial offer: the base proposal. This is the starting point where you take a position around which the whole process of concessions revolves.

You must be sure that your base offers you sufficient room to maneuver, ensuring you don't obtain less than what you want. The universal custom of haggling means that the negotiators always expect concessions from the other party, so you must assume you will have to make concessions.

Imagine you want to sell a shipment of spices for 100 ducats. Your base offer must be above this price target.

Be careful! If your initial offer is too high it will seem abusive or cheating. This will damage the level of trust. It may also be perceived as a lack of knowledge of the sector, which will negatively affect your credibility.

If your initial offer is too low this will leave you without room to maneuver. It will also transmit a lack of confidence or give the sensation of a poor quality product. But above all, it will guarantee that you will get a bad deal.

Therefore, your base offer should be as high as justifiable with objective criteria. That is, as high as you can reasonably answer the questions: Why? Why is your product so expensive? Why are you asking 25% above the market price? Why are your spices more expensive than Vito's? The more objective reasons you have to respond to these questions, the stronger your base position.

The base position can be composed of one or more variables. For example, 120 ducats for the merchandise (one variable) or, 120 ducats for payment in cash (two variables: price and payment terms). To include one, three or nine variables is a strategic decision which can affect the final outcome much more than you can imagine. Knowing the sector, your client and your product will help you to define this strategy correctly. If, for example, you expect your client to pay in 3 months, include payment in cash in your base offer to be able to later "sell" the expanded payment terms as a concession on your part, and ask for something in return. It is very important to leave a few variables outside your base offer, in order to have a few aces up your sleeve as the negotiation progresses.

Never be drawn in by the base offer of the other negotiator. There will be time later to close positions by using a combination of variables. Your offer is created around your interests, your objectives, your calculations and objective criteria. Don't make the mistake of being drawn in only because your base offer is very far from that of the other party. Some negotiators play this game because they know they can win concessions at the very beginning of the negotiation without giving anything in return.

There are six essential norms to follow during the process of concessions:

First: Quantify the concession.

You must know the exact value each variable has for you. Never cede a variable without knowing exactly how much you are conceding. There are people who “give away” warranties, insurance or additional services without knowing their real cost and end up closing deals that may even result in a loss.

Second: Demonstrate the value of your concession to your counterparty.

When you make a concession, in addition to knowing the value of this concession, you must make the other party aware of its value.

If you can, and it's in your interest, explain the real value of the concession so they really appreciate what you are offering. Use objective criteria to make this valuation.

Do not give away concessions. Even when they do not have a great value for you, ensure that the other party works for each one. The more it costs them to achieve, the greater they will value them. Even though you know you will make concessions, ask for time to consult with your partners or superiors, make a point of struggling with it. If you make concessions immediately, the other party won't value them appropriately and it will be difficult to get something significant in return.

Third: Always ask for something in return for your concessions.

Never cede anything without asking for something in return. When you cede a variable, ask for a counter-concession of similar value in return. That's why it is very important to quantify correctly each of the variables you use during the negotiation; exchanging concession for concession. Always ask for something in return.

This is why it's so important to handle many variables in a negotiation. If not, it is impossible to exchange concessions in one area for concessions in another.

If you make concessions without asking for anything in return, the other party will have no reason not to pressure you more.

Fourth: Cede from more to less.

The concessions made for each variable should be increasingly smaller. If you offer another month every time they ask you for more warranty time, they will think there is no limit. If you first offer an extra month, the second time an additional 13 days, and the third time only two additional days, they will feel that there is a limit; that you are reaching a maximum.

Fifth: Close combinations of variables, not variable by variable.

Never close variables one by one. The final agreement will depend on a combination of all variables. If you close them one by one, you will not be able to quantify accurately the “package”, nor exchange concessions in one area for improvements in another.

Negotiating variables individually turns the negotiation into a series of small, inflexible negotiations of a single variable, which defeats the purpose of having variables at all.

And number 6: Do not hide uncomfortable variables.

Sometimes there are issues which are unpleasant, delicate or conflictive. We tend to leave these to the last moment, when the “package” is closed, just before signing the deal. Doing so leaves us very little room to maneuver.

The most conflictive or difficult variables should be dealt with at the beginning, frankly and naturally. They can’t be hidden. Sooner or later they will come up, even after closing the deal, and will cause problems which could ruin the relationship and inhibit compliance with the agreed terms.

To summarize: design a base proposal which gives you room to maneuver, quantify your concessions, make your counterpart value your concessions, always ask for something in return, cede from more to less, close “packages” and never hide variables.

8. Objective criteria

It seems you've come across a hard nut to crack. She can be a bit stubborn but I can assure you that we will find her weak point. Although she can be difficult, she is very fair and objective, so that is the line we must take in this negotiation.

I would suggest that you try to incorporate some objective criteria.

This will permit you to defend your positions better, define your objectives more clearly, quantify your concessions more precisely, improve your variables, justify your requests, transmit greater credibility and generate trust. The truth is that using this simple tool offers a lot of benefits. It's surprising how little some negotiators make use of it.

Let me tell you about my last negotiation with Angelo Menzio. As you know, Angelo has a beautiful empty house near San Marcos Square. I've always liked it so I decided to offer him 2,400 ducats for it. Angelo and I have always had a good relationship so I thought that, since this was a reasonable offer, he would have no trouble accepting it. I was very surprised by his vehement refusal and his counteroffer: 3,500 ducats.

I remember that we discussed the value of the house. I thought it was worth no more than 2,400 and he that it was worth no less than 3,500. Obviously, our discussion went nowhere. The only thing we achieved was to create tension and damage our relationship. This is all you will achieve if you can't use objective arguments to defend your position.

At one point in the discussion, I realized that I was behaving like a novice negotiator and I began to analyze what my mistake had been: my relationship with Angelo was good; I also knew that Angelo was a reasonable man; and, of course, I was convinced that I was offering a fair price for the house. So what was the problem? Why wouldn't he budge, even a little, from his base position?

It didn't take me long to find the answer. I was committing a basic mistake: I hadn't prepared any objective criteria. When I realized this, I asked Angelo for a few days to think about my offer a little more.

Two days later I met with him again, but this time, I came with an offer supported by objective criteria. Objective criteria refers to third-party, independent information or facts, which will help to defend your position.

For this second meeting I came with an assessment from an independent appraiser (2,400 ducats). I also got a written offer from a neighbor of Angelo who sold a house similar to his in the same area for 2,500 ducats. Finally, I spoke to various real estate agents who confirmed the appreciation of the property in the area. I applied the appreciation to the price Angelo paid for the house and came up with the price of 2,450 ducats.

As you can imagine, the moment I presented these objective criteria, Angelo's attitude changed completely. This also calmed the situation and improved the level of trust. I can't say that he accepted immediately, but it was the moment when his base proposal began to move a little towards my position.

He understood that I was being objective and he found himself without arguments to defend his initial position.

There are many possible criteria which can be used. Some are more beneficial to you, and others less so. You must find and create the greatest number of objective criteria possible so later, you can choose those which are most favorable.

A negotiator with objective criteria always has an enormous advantage over one without.

Many of my employees have asked me for a raise. When they do, I always ask the same question: Why should I increase your salary? Most of the time I get answers like: "because I think I'm worth it" or "because I work hard". Obviously, they don't usually get what they're after.

What objective criteria could they use to support their request?

- ◇ The amount of money they made for me in the past year.
- ◇ Their performance above their objectives in recent years.
- ◇ The salary of a colleague who performs similar work to them.
- ◇ The average salary in our sector corresponding to their professional level.
- ◇ The commitments contained in their work contract.
- ◇ A firm job offer from someone else. This reflects their true value in the market. It is the most objective of all criteria, but it is risky and should only be used as a final option.

When you sell, you cannot justify why your merchandise is more expensive with phrases like "my product is better", "it's higher quality" or "it's different". These are empty words, and not the least bit convincing. You should substitute them with objective criteria.

There are also situations where you can substitute objective criteria for objective procedures. Objective procedures can allow you to reach a fair deal quickly and easily without risking the relationship.

Examples of objective procedures:

- ◇ When kids make two teams to play a game during recess. Two team captains take turns choosing the members of each team.
- ◇ When dividing an inheritance, the heirs create "equal lots" and then assign them by lottery.
- ◇ When two brothers want to split a piece of cake. One cuts the cake and the other has first choice of a piece.
- ◇ When two parties in a conflict decide to resolve their dispute through the mediation of an arbiter both consider to be objective and impartial.

Objective procedures allow both parties to concentrate on the process and not on the conflict. The negotiation becomes more simple and with much less emotional involvement.

The use of objective criteria and procedures does not guarantee anything, but it will help you to improve your agreements.

I recommend you find and use all the objective criteria you can to support your proposals.

Let me know how it goes...

9. Preparation of the negotiation

In order to reach beneficial agreements it is very important to use all the tools we have discussed until now. To do so effectively, you need to prepare them before the negotiation. Many people believe they can improvise, but they are quite wrong.

The success of a negotiation largely depends on the preparation. I'm sure you have experienced the enormous difference between when you have dutifully prepared for a negotiation and when you have not.

I will describe the process of preparation for you and a series of instruments which will serve you well. I have left you a form on the shelf if you want to take it with you.

The first thing you have to do is clearly define your interests. You must decide the objectives you hope to achieve. Remember that one of your interests will always be to maintain and improve the relationship.

Secondly, you must try to understand as clearly as possible the interests of the other party. Know the other party, investigate or find information from various sources which will allow you to identify their interests. But be careful! These are only suppositions. You should design a questionnaire to discover other interests and to confirm your information. You should have a series of questions you can use during the course of the negotiation.

Thirdly, analyze the level of trust. Think of things you can do or say to build trust. Design what I call trust builders: information, data, experiences, references, common acquaintances, shared interests, etc which can enhance trust.

Fourthly, analyze and reinforce your relative power. Confirm, as soon as you can, that the other party is really interested in negotiating. Analyze your alternatives and theirs to understand the existing balance of relative power. Remember that alternatives refer to the different options available to satisfy your interests outside of the negotiation. Find, create or "invent" alternatives. Decide how you will make the other party aware of your alternatives in order to increase your perceived relative power, without damaging the relationship or level of trust.

Fifth, identify, generate or create the greatest number of variables possible. Before beginning the process of negotiating and concessions, you should identify all the variables you will use during the course of the negotiation.

You will have to make a special effort to identify other "magic" variables; those which have a great value for one party but cost very little to the other.

It is very important to know the quantitative value of each of these variables. If not, it will be impossible to calculate the value of the proposals, counteroffers or concessions throughout the process. One very useful tool is to create a table with each of the variables and their quantitative value, even if it is an approximation.

Sixth, find or generate the objective criteria necessary to justify the value of these variables and of your proposals which are, in the end, packages of variables.

Once you have prepared all of these elements, you can proceed to the next phase: the design of the proposal and its presentation.

As we mentioned before, you must design your base proposal with some of the variables you will be using. Remember that this base must give you as much room to maneuver as possible, providing it can be justified using objective criteria.

You will have to decide what variables to include in your base proposal. Remember that this has strategic considerations. You may want to keep a variable in reserve to provide more flexibility if things get difficult, or include a variable in the base to distract the attention of the other party, or keep a magic variable up your sleeve in order to get a larger concession from the other side when you've almost reached an agreement.

Whatever strategy you decide, don't forget that your base proposal, like the rest of the proposals you make during the course of the negotiation, must satisfy the fundamental interests of both parties.

When presenting your proposals, both your base proposals and those made during the concession process, never try to convince or sell. The more you try, the more defensive your counterparty will become. Although the proposal may be good, it has one big problem: it's not their idea. For this very reason, their first instinct will be to reject it. They will look for problems and inconveniences. They will have trouble accepting any idea that isn't theirs.

To facilitate acceptance of your proposals, I suggest you use two simple but enormously useful tools: the first is questions, the second is options.

By arguing, selling or trying to convince, you will only put the other on the defensive. However, when we ask questions, we avoid this. By asking questions we show respect and interest in their opinions. More importantly, we make them feel that it is their idea. We hope that, through the questions, the other will come around to our way of thinking. This is called the Socratic method. The prime objective: that the other side gets what they want. If you succeed in leading them to your idea, you won't have to convince them of anything and the level of commitment to the deal will be absolute.

Another way to facilitate acceptance is to offer various options. It's much easier to make the other person happy if they choose, rather than give in. Instead of allowing themselves to be convinced and having to accept your proposal, they will feel better to choose options and make the ultimate decision. Obviously, all of the options you offer will cover your interests.

And, of course, the options which are best for you will be presented, shall we say, "more affectionately", emphasizing their positive aspects in comparison to other options.

I suggest you look into this more by studying the very interesting document about influence I have here on the shelf.

To summarize, use the preparation form for the negotiation and be careful about the manner in which you present your proposals.

10. Synthesis

Well Carlo, it seems our adventure is coming to an end.

I know that the project in the Indies is an exciting prospect and I think that it could be a great opportunity for you. I imagine that you will need a good team if you want to be successful, but that is something with which I won't be able to help you. You're on your own from now on.

But I don't want you to go without going over some of the concepts we've learned during our time together.

Our first lesson served to understand that negotiations have their own rhythm. We identified two phases: the exchange of information and proposals. The first is necessary to understand the interests of the other party and, also, to build trust for the rest of the process. Only by understanding their interests can you make a proposal which will satisfy them. As I've always said: first interests, then proposals.

In our second lesson we saw how we have a natural tendency to assign blame and divide the pie, with a clear focus on the idea of scarcity. The important thing is to avoid this mistake, concentrate on solutions and not assigning blame for problems; build on the points you share in common rather than on what separates you. You must focus on the idea of abundance, use variables and create solutions based on the interests of both parties.

During the third lesson we analyzed power in negotiations. Remember that relative power is determined by the alternatives available to each party. If you want to increase your relative power in a negotiation, you must find, create or invent alternatives. And not only that, remember that perceived power is what counts in a negotiation. You must be able to demonstrate your power in a manner which doesn't damage your long-term relationship. Never forget that establishing long-term relationships will always be one of your objectives in any negotiation.

In any case, power becomes secondary if you keep your real objectives in mind: to satisfy the interests of both parties. A proposal which satisfies interests and is beneficial to both parties will make relative power a non-issue.

As we said during our fourth lesson, interests are the key to any negotiation. You must understand them, discover them, ask questions, deduce... do whatever is necessary, since this information will enable you to construct successful proposals. Of course, knowing your own interests is just as important. Clearly define your objectives before any negotiation, identify your interests perfectly and don't allow yourself to be drawn in by "changing interests". The important thing is that you achieve your goals, not comparing the benefits or profits of the other side.

The fifth lesson dealt with the trap of positions. We reached the conclusion that the most important thing is to co-operate with the other party in building solutions which satisfy both parties. We said that negotiating is like solving a puzzle together, where the pieces are the

interests of the parties and both sides must work together to fit all the pieces together. Evidently, it is very difficult to solve a puzzle if all the pieces are not on the table. Your objective is to complete the puzzle creating long-term relationships.

The sixth lesson was dedicated to variables. I assume that during your past negotiations you have realized their importance in facilitating negotiations and generating mutually beneficial options. You should always avoid negotiations with only one variable. You must include many more, and especially, find those magic variables that allow you to expand the pie, making it bigger rather than dividing it. Instead of focusing on scarcity, you should focus on the idea of abundance.

The correct management of variables is a question of strategy, as we mentioned in lesson seven. There, we analyzed the importance of the base proposal and how we should design it based on objective criteria and leave room to manoeuvre with a few variables left out for the process of negotiation and concessions. Using the base proposal as a starting point, the management of variables depends on basic norms: quantify the concession, make the other party value your concessions, always ask for something in return, cede from more to less, close packages of variables and never hide conflictive variables.

The eighth lesson referred to the concept of objective criteria. We saw the importance they have in a negotiation and how, if used correctly, they can justify the value of our proposals, reinforce our base, quantify our concessions, etc. You must look for and create objective criteria in order to have them ready during the negotiation. Objective criteria will give substance to your positions and enhance your relative power. Sometimes you can find fair and objective procedures which can be used to resolve sticking points in the negotiation with less emotional involvement.

Our final lesson dealt with the importance of preparation. Negotiation requires a strategy, and all the elements we have discussed should be taken into consideration. And that, Carlo, is something that you cannot improvise. Preparation marks the difference between a good negotiator and a bad one.

From now on, you will have to face your future negotiations without my help. We have learned a lot together, but you still have a long way to go. Never stop learning about negotiating. Ask the masters, read books, observe the best and learn from their negotiation techniques.

I hope these new strategies will be helpful in your negotiations with your suppliers, clients, colleagues, friends and family.

I hope to see you soon and wish you all the luck in the world in your project on the other side of the ocean. It has been a pleasure having you as my student. Take care, Carlo.

11. Summary

Our first lesson served to understand that negotiations have their own rhythm. We can identify two stages: the exchange of information and proposals. The first is necessary to understand the interests of the other party and also to build trust for the rest of the process. Only if we understand the interests of the other party can we create proposals to satisfy them. As we have always said: first interests and then proposals.

Our second lesson showed us how our natural tendency drives us to place blame and to share the pie with a clear focus on shortage. It is important to avoid this mistake, concentrating on solutions, not assigning blame and building on points in common and not from what separates us. You must have an approach based on abundance, use variables and create solutions based on the interests of both parties.

In the third lesson we analysed power in negotiations. Remember that power determines the alternatives of each of the two parties. If you want to increase your relative power in the negotiation you will have to seek, find and create alternatives. And not only this, remember that perceived power is what really counts in a negotiation. You must be able to show your power in a manner which does not damage the long term relationship. Never forget that building long term relationships is one of your objectives in each negotiation.

In any case, power will become a secondary issue if you keep your true objective in mind: to satisfy both parties' interests. A proposal which satisfies the interests and benefits both parties will make power a secondary issue.

As we said during the fourth lesson, interests are the centre of the negotiation. You must understand them, discover them, ask about them, imagine them... whatever is necessary to build a proposal based on those interests. Of course, it is just as important to know your own interests. Define your objectives clearly before the negotiation, perfectly identify your interests and do not allow yourself to be dragged into "changing interests". The most important thing is to achieve your objectives, not to compare with the other party's benefits.

In the fifth lesson, we saw the trap of positions. We came to the conclusion that it is important to cooperate with the other party in building solutions which meet the interests of both. We described negotiating like solving a puzzle, where both parties have to work together to make all the pieces fit. Evidently it is very difficult to solve a puzzle unless all the pieces are on the table. Your objective is to complete the puzzle while also building a long term relationship.

The sixth lesson was dedicated to variables. No doubt during your negotiations you have realised the importance of being flexible and of generating lots of options for mutual benefit. Always steer clear of negotiations with a single variable. You must include many more and, above all, find those magic variables which expand the pie. Instead of dividing the pie we should make it bigger. Instead of focussing on shortage we must focus on abundance.

The correct handling of variables is a question of strategy. This was our seventh lesson where we analysed the importance of the base and how to design it; leaving room to manoeuvre.

vre, based on objective criteria and keeping some variables in reserve for the concessions process. From the base, handling variables in the concessions process has some basic norms, such as: quantifying the concession, making the other party value it, always asking for something in return, ceding from more to less, closing packages of variables and not hiding uncomfortable variables.

In the eighth lesson we learned the concept of objective criteria, their importance in negotiations and how to use them to justify the value of our proposals, support our base, quantify our concessions, etc. You have to look for them or create them in order to have them ready during the negotiation. Objective criteria will give solidity to our position and give us relative power. Sometimes we can look for fair and objective procedures which allow the negotiations to be settled more quickly and less emotionally.

Our final lesson focussed on the importance of preparation in the negotiation. Negotiation is strategy and all the elements we have mentioned should be taken into account. This is something that cannot be improvised. Preparation makes the difference between a good negotiator and a bad one.

From now on you will have to face you next negotiations without my help. We have learned a lot together but you still have a long way to go. We never stop learning about negotiating, ask the masters, read books, observe the best and learn from their negotiations.

I hope these new strategies will be useful in your negotiations with suppliers, clients, your colleagues, friends and family.



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