



Book The Negotiation Book

Your definitive guide to successful negotiating

Steve Gates
Wiley, 2011
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Recommendation

Steve Gates, a negotiation consultant, takes a balanced approach – exemplified in his conceptual tool, “the negotiation clock face” – that makes this manual valuable for negotiators with a wide range of skills and approaches. Gates is refreshingly honest. He incorporates the lessons of a half-dozen other books on the topic, and renders most other texts on the subject obsolete. Though the book is not necessarily the right stand-alone tool for raw beginners, *BooksInShort* recommends its tough lessons to moderately and extensively experienced negotiators as well as to anyone looking to become more realistic about business.

Take-Aways

- Negotiation influences everything you do.
- Organize the different modes of negotiation into “the negotiation clock face”: Consider competition as the twelve-to-six side and collaboration as the six-to-twelve side.
- Power shapes negotiation and gives you options; people who have power use it.
- Power shifts according to circumstances.
- Successful negotiators have 10 traits: “nerve, self-discipline, tenacity, assertiveness, instinct, caution, curiosity, numerical reasoning, creativity” and “humility.”
- They listen actively, stay calm, are patient even when they aren’t comfortable, trade value well and read the nonverbal signals of others.
- Emotion shapes negotiations. To be a better negotiator, be more self-aware as well as self-controlled.
- Methodical preparation improves the chance of a successful negotiation.
- Plan your goals for price, volume, delivery, payment, quality, contract period and risk.
- Enter every negotiation with a prepared agenda, and be ready to record offers.

Summary

Life Is Negotiation

Negotiation plays a crucial role in everything you do. Although it may not be a formal part of your job, negotiation determines your salary, the power balance in your relationships and your position in your company. You can benefit from becoming better at negotiation, more aware when you’re negotiating, and more self-aware about the tendencies and preconceptions that govern your behavior when you negotiate.

“Negotiation is fundamental to your life and the way you distribute, create, protect, resolve and manage anything of value.”

Negotiating offers no objective scale to your success or failure. Assess your performance in relative terms. The multiple variables involved, such as time, price and logistics, complicate this appraisal. Keep your ego in check and your vision clear enough to see what the people on the other side think, observe what they do and analyze how these factors affect possible outcomes.

“The Negotiation Clock Face”

One book on negotiation insists that you collaborate. Another calls negotiation war and says you must fight for every inch. Both are correct. No one can tell you a right or wrong way to negotiate. Instead, apply certain tools in different situations. Some tools are cooperative and some are more combative. To help you understand these tools and how they relate, imagine the negotiation clock face. The right side of the clock (numbers twelve to six) features tools that ask you to play “tougher” as you divide “a finite amount of value.” The left side (numbers six to twelve) houses more cooperative tools. Divide them as follows:

- **“Bartering: One o’clock”** – An exchange or swap can take place between strangers, without a shared language. In bartering, you trade one item for another.
- **“Bidding: Two to three o’clock”** – Auctions and on online sites like Swoopo or eBay use this tool. To deploy bidding as a strategy, you must be ready “to walk away.”
- **“Hard bargaining: Four o’clock”** – People prefer not to use the hard-bargaining approach too often. Dividing up the good – so that if you win, someone else loses – often strains your sense of fairness. Good questioning and targeted proposals are crucial to hard bargaining. When you make a proposal, you anchor the negotiation and fix the “bargaining range” within which all further give-and-take occurs. Put yourself inside the opposition’s heads, identify “their breakpoint” and keep them from figuring out yours. Practice self-control and staying quiet.
- **“Dealing: Five to six o’clock”** – This technique involves making arrangements on details that don’t give you “incremental value,” but which might benefit the other side. For example, if you don’t care about a contract’s completion date, you could grant the other side its desired terms in exchange for something you do want. You can make deals on several different issues in a single negotiation.
- **“Concession trading: Six to seven o’clock”** – At this point, the negotiation clock ticks into collaborative tactics. You’re still “guarded” and cautious, but you begin to offer conditional trades (if you do this, we’ll do that) to build value for both sides.
- **“Win-win: Eight o’clock”** – In this mode, both sides gain. Exchange “low-cost, high-value” items to increase the “total value opportunity.” This is challenging because negotiations are emotional as well as rational. And even when both sides win, they never both benefit to the same degree.
- **“Problem solving: Nine to ten o’clock”** – Your goal is to increase performance and compliance, and reduce risk. You may have to share information, but in this mode you try to solve the other side’s problems for them in order to facilitate a deal.
- **“Relationship building: Eleven to twelve o’clock”** – When you’re “interdependent” with the other parties or work together on a regular basis, benefit them as they seek to help you. Transparency is vital, and your negotiations can include intangible factors.

Power

The more power you have, the more options are available to you. Power is not a fixed, objective quantity: It depends on perception and shifts according to circumstances. People who have power use it. Access to information is a source of power, as is understanding the other party and yourself. Any power imbalance partially determines the nature of the negotiation. If there is a marked imbalance, you’re likely to negotiate based on “value distribution”: One party wins, the other loses. While the history and size of a company weigh on negotiations, you are ultimately negotiating not with a company or a brand, but with people with specific attitudes, skills, weaknesses, and constraints. Identify their options, “time pressures,” any benefits from quick resolution and any meaningful issues beyond price.

Need

The parties’ “level of dependency” affects negotiation. If you need the other party more than it needs you, this alters the balance of power. To equalize your dependency, develop a strong “Best Alternative to a Negotiated Agreement” (BATNA). Create options to strengthen your position. Historical precedents, such as an earlier contract or an established pattern of deals, shape current negotiations. Discussions almost always have an impact beyond the parties at the table. Your competition’s actions and overall market activity influence negotiations. In a volatile market, securing a deal that guarantees stable prices will be difficult. When one side controls supply, and demand is intense, this also changes the dynamic. Each party’s relationship to time impinges on negotiation. If you need a deal sooner than the other side, you’re weaker. Some negotiators use this as a ploy, introducing a false deadline to pressure the other side. Controlling the sequence in which the sides bring various elements of the deal to the table will help you.

Traits

Several personality traits contribute to your success as a negotiator, and you can develop most of them. The first trait is “nerve”: You have to stay calm, believe in your position and “never insult” the other party. This helps you to remain “a conscious negotiator” and to keep control of yourself. When you have nerve, you try things you wouldn’t attempt otherwise. Closely related to nerve is “self-discipline,” which gives you the poise of a stage actor. You can control the pace of the negotiation, “repackaging the offer” or summarizing it, to govern the interaction. With self-discipline, you wait out the useful silences. You need “tenacity” to hold your positions and values, and to state and restate your proposals when necessary. Tenacity works well with “assertiveness.” You don’t want to be arrogant or disrespectful, but you do want to be “firm and in control.” To make a deal happen, ask for what you want and work to get it.

“Do not allow your sense of fairness to influence behavior.”

Your “instinct” or “gut feeling” can serve you well. Good instincts will help you hear what isn’t said and will tell you when to trust others. This feeds your “caution”; listen to your internal doubts about sweetheart deals. They’re never as good as they seem. To sharpen your instincts and to address the doubts your awareness raises, call on your “curiosity.” If you don’t know something, find out. Research the context before you negotiate, talk to others who know the opposing party and ask the other side direct questions when appropriate. As you evaluate a proposed deal, apply “numerical reasoning.” Learn to calculate the value of a deal. Use “creativity” to generate new alternatives and fresh ways to create value, and you’ll gain more strength. “Humility” is essential throughout this process. Keep your ego off the table.

Behavior

The best negotiators share certain characteristics and behaviors that define their tactics. At all points on the negotiation clock face, the “complete skilled negotiator” pays attention, not only to what people say but also to their “signals” and nonverbal cues. To build this ability, prepare well, gather as much data as you can and ask questions skillfully.

“Negotiations can only progress if communication flows and those who are involved are allowed to take decisions.”

Other behaviors apply to the right-hand side of the clock face. Sharp negotiators think clearly during conflict, undisturbed by threats and anger. Their own sense of what is fair does not shape their actions. They know people differ in their understanding of fairness and that negotiation is not about being fair. Know your values, but don’t mistakenly think they are shared. Skilled negotiators bear the weight of silence and never show discomfort. They’re willing to open with an extreme offer, to shape it, to be realistic about its chance of success and to adapt accordingly. Finally, the best negotiators can read the other side’s “breakpoint.” Your opponents won’t directly tell you that information, so you must observe how they talk, what time frame they propose, how often they concede and what kind of proposals they make.

“You are as powerful as others perceive you to be, which is limiting if you do not understand how they see the situation.”

The final set of behaviors applies the left, or more collaborative, side of the clock. You want to trade value “effectively and conditionally.” Ask “what if” questions: What if we did this? What if we exchanged that for a better turnaround time? To get useful answers, shape the context of the negotiation so that people can and do trust one another. Take an active role in setting the agenda; this may require negotiation in itself, since items on an agenda do not carry the same weight. Evaluate their value at every stage. Generate value creatively and work to build agreement.

Emotion

The more self-aware you are, the more effectively you will negotiate. Emotion drives people and makes them unpredictable. Choose your emotional responses consciously and display emotion only for strategic purposes. Stress often leads negotiators to relinquish their positions or to signal their positions through fidgeting or verbal tics. Minimize the information you betray with body language, and be aware of how others signal without speaking. As you seek to understand your emotions and the emotions of others, conceptual tools from the field of psychology may prove useful. For example, transactional analysis describes different “ego states” people inhabit, such as a parent, an adult or a child; identifying these roles and positioning yourself strategically relative to your counterparties grants you perspective and control.

Preparation

Preparing methodically contributes powerfully to negotiating successfully. To negotiate as a team, you and your cohorts must prepare and practice as a team. Negotiation teams function best when members fill four roles: a “spokesperson,” a “figures person,” an “observer” and the overall leader. Define who will fill each role. If you’re negotiating alone, you will have to step into each of them all at different times. Know how much authority the negotiating team has and needs, and know your limits. Once the negotiation starts, find out the other side’s limits and learn who can make specific decisions. If your goals surpass the other party’s limitations, address that issue at the outset. Then either end the negotiation or bring the appropriate decision makers into the room.

Authority

Each negotiation tactic requires a certain level of power and has an effect on your relationship with the other party, often a highly negative effect. Evaluate your relative power status and reflect on what relationship you want with the other side before you employ any particular tactic.

“Just because everything is negotiable doesn’t mean that everything has to be negotiated.”

You can use a strategy like asking a hypothetical question, in any power relationship, with no negative effect. For example, “What if we were to ‘hypothetically’ increase the order after three months, how might that change the fee structure?” But, denying someone access to all or part of a negotiation takes considerable power and will result in marked “relationship erosion.”

Tools

Prepare an array of tools to help you manage and track the actual negotiation. Start with the “six primary variables” in any negotiation: “price, fee or margin,” volume, delivery, “contract period,” payment specifics and “specifications.” Define your goals in each area before you start. Then begin linking them, planning trade-offs and anticipating how “triggers” might be linked to specific variables. For example, if the other party is willing to pay faster, can you deliver faster? If they order a much higher volume, how much of a price discount can you provide?

“For those of us who believe in fairness, hard bargaining provides the greatest of tests.”

Block out basic if-then statements in a table format for ease of reference. Work with the six variables until you can evaluate whether one combination proves more effective than another. As you combine variables, consider how each affects a seventh variable: risk. Which combinations carry the greatest risks and how do these risks affect you? Before you come to the actual negotiation, create a basic agenda with your desired order of topics. Bring a prepared form for recording the specifics of all offers, so you can follow who offers what and when.

About the Author

Steve Gates is founder and CEO of The Gap Partnership.
