



"We're going to try to negotiate first."

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CHAPTER 1

Negotiation

Let us never fear to negotiate. But let us never negotiate out of fear.

—JOHN F. KENNEDY

Nothing in life is to be feared. It is only to be understood.

—MADAME MARIE CURIE

“I’LL BURN THAT BRIDGE WHEN I COME TO IT”

Early in my career, I had a law partner who loved his work. He was smart. He knew the law. He always had his clients’ best interests at heart. And he liked nothing better than the challenge of negotiation. He had no fear of the other side. In fact, he relished confrontation. He paced outside a conference room like a blitzing linebacker. He had that same hungry look in his eyes, pacing and revving himself up for the kill. He couldn’t wait to charge in and nail the quarterback (or the other lawyer) to the Astroturf (or the deal he was after). If a few bones were broken along the way, so be it . . . or so much the better.

He often got what he and his client wanted. But he only got it once. Nobody wanted or could afford to deal with him twice because he left nothing on the table. *Winner take all. Why take a share of the profit when you can take all of it? Why have investors when you can have sole control? Why pay commissions? Why give concessions to a union when you can break the union? Why not squeeze all suppliers to rock bottom? Why not drive all offers up to the last dollar? Why negotiate*



6 THE POWER OF NICE, 3E

when you can dictate? My partner literally destroyed the other side, and he revealed in it.

One day he strutted out of yet another of his “eat-the-opposition-for-lunch” meetings, fresh blood dripping from his teeth, having dismembered yet another adversary in the name of dealmaking. Instead of congratulating him, I asked him a question that took him by surprise. “What did the other side want?”

He looked at me with a combination of curiosity at my naiveté and astonishment at the irrelevance of the question. “I don’t know, but they didn’t get it,” he answered.

I persisted, “Maybe they could have gotten what they wanted *and* you could have gotten what you wanted. What would have been wrong with that?”

Then he sighed like a wise old tobacco-chewing veteran and laid it out for the rookie who just didn’t understand how to play the game. “Don’t you get it? We won.”

“Yeah,” I protested, “but what if, some time in the future, the tables turn and the other side gains the upper hand and then they’re in a position to change the deal?”

That’s when my wise old veteran partner put his arm around me, took a long, dramatic pause, and said, “I’ll burn that bridge when I come to it.” That wasn’t just his snappy comeback. He meant it. It was the embodiment of his negotiation philosophy.

That’s the way a lot of people look at negotiation. Two S.O.B.s locked in a room trying to beat the daylight out of each other and may the biggest S.O.B. win. Even way back then, I thought there was a better way to make deals.

Over the years I practiced and perfected what made sense and worked for me: You can be “a nice guy” and still get what you’re after. In fact, *embracing the systematic approach* of this book gives *you* the power and allows *you* to get better results, achieve more of your goals, and build longer-term relationships with even greater returns.

The Power of Nice Philosophy

The way to get what you want is to help the other side get what they want.

**YOUR FIRST DEAL**

What matters in negotiation is results. Everything else is decoration. To get results you must have parties who *want* to make a deal, each of whom has something to *gain*. Never forget, everyone who sits down at a negotiating table is there for one simple reason: They want something the other side has.

You picked up this book, so you must feel you have something to gain. As authors, we have already gained by making the book sale. So, have we won and you lost? Hardly. As you'll learn, we don't want a one-time deal; we want an ongoing relationship (your recommendation of our book to others, visiting our website, attending our programs, and buying our next print or digital book). You don't want a one-time deal, either. You want to learn to negotiate every deal well. Therefore, reader and authors have a common interest (another point I'll be making later) and that is *to make you a better negotiator*.

To achieve that end, we each have to make a commitment. Yours is to answer *two questions* with complete candor (even if it hurts). Ours is to deliver on four objectives that will make you an effective negotiator.

1. What negotiation have you handled recently that has not gone or is not going well? [Remember what I said about candor. Write out your answer and then show it to someone you can't fool (husband, wife, partner, friend, boss, client, mother)]

2. What would you like to be able to do differently after reading this book? (*Be realistic, but aim high.*)

**8****THE POWER OF NICE, 3E**

Write down your answers and save them. You're going to want to look back at them at the end of the book.



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Four Objectives You Can Expect

- 1. Displaying Confidence.** The most effective negotiators tend to be the most confident negotiators. Conversely, negotiators who are less confident are less effective. So, how do you get confidence and become a better negotiator? Get smart.

Lack of confidence is mostly lack of knowledge. Knowledge is power. You will be armed with the knowledge it takes to deal from strength. You won't be cocky; you'll be confident. The former is imitating someone who knows what he's doing; the latter is the person who the cocky person is imitating.

- 2. Achieving WIN-win.** Today, everybody talks about win-win negotiation. Both sides win. Both get what they want. Both are equally happy. How delightful. How unrealistic.

If we negotiators were seeking truly equal terms and deals, like King Solomon, we'd simply divide everything in half. In reality, we're



out to achieve *all* (or most) of *our* goals, to make *our most desirable deal*. But the best way to do so is to let the other side achieve *some* of their goals, to make their acceptable deal. That's **WIN-win**: maximize your win, but don't forget theirs.

The most common approach to dealmaking is I Win–You Lose, the pound-of-flesh school—the only good deal for me is a bad deal for you. The unfortunate fate of too many negotiations is:

We both lose

or

If I can't win, nobody can.

We'll show you how to avoid both of these negative categories.

- 3. Using the 3 Ps.** There's an old saying, "If all you have in your toolbox is a hammer, then every problem looks like a nail." The same holds true for negotiation. More tools enable you to solve more problems. Better tools enable you to find longer lasting, more enriching solutions. *Prepare*, *Probe*, and *Propose* are the first of the tools that we'll put in your negotiator's toolbox.

There is no secret formula that will enable you to get what you want every time you negotiate. But we have created a *systematic approach*—a step-by-step program—that, if repeated and mastered, will maximize your results. Like all good systems, this one is simple:

Prepare, Probe, and Propose.

That's it. Close the book, you've learned it. Well, it's not quite that simple. We'll show you how to *prepare* better than the other side; how to *probe* so you know what they want and why; and how to *propose* without going first and revealing too much, to avoid impasses or getting backed into a corner, but still achieving what you want. *As you'll see, negotiation is a process, not an event.*

- 4. Handling Tough Negotiations.** Welcome to the real world of dealmaking. Unfortunately, it's full of tough negotiators and tough negotiations. Some people think you have to be a bad guy to be a good negotiator. So, they act the part. Some aren't really so awful but have to answer to an awful boss who demands that they act the part.

**10****THE POWER OF NICE, 3E**

Sometimes, the negotiation itself may be brutal. The time, terms, or goals may be so difficult to meet that the *process* turns loathsome, even if the person opposite you isn't.

The tools in your negotiator's toolbox will enable you to deal with the toughest people and situations, from neutralizing animosity, to breaking deadlocks, to knowing when the best deal is no deal. You'll learn how to out-negotiate the bad guys without becoming one of them.

One more thing: If you've been around sports long enough, you know the value of a good pep talk—whether it's Herb Brooks talking to the 1980 U.S. Olympic Hockey Team—the “miracle on ice,” Gene Hackman as the coach in *Hoosiers*, Babe Ruth talking to a sick kid in the hospital, or Pat O'Brien invoking the memory of the Gipper (Ronald Reagan in his second-most-famous role) in *Knute Rockne, All American*. It can make players play harder, forget their shortcomings, and literally change the fate of the game. This pep talk isn't just about getting your adrenaline going; it's about putting **PEP** into learning the lessons of negotiation.

PEP

Participate Be open to change. Read. Reread. Question.

Engage Throw yourself into this endeavor. Challenge yourself.

Personalize Relate what you learn to your career and your life.

If you read this book passively, you'll be cheating yourself. If you *Participate*, *Engage*, and *Personalize* you'll become a better negotiator, faster. Do the exercises in the book; ask others to help you practice; role play. Don't skip over parts you find difficult or unpleasant.

What I hear, I forget. What I read, I remember. What I do, I understand.

—CONFUCIUS



No, this isn't a normal textbook approach. But that's the point. To be more effective in negotiation, you have to stop using the same old "normal" approach. To harness the Power of Nice, you have to want change, accept change, and throw yourself into that change. The results will be worth it.

WHAT NEGOTIATION ISN'T

People who fight fire with fire usually end up with ashes.

—ABIGAIL VAN BUREN

Think of the word "negotiation." Quick, what images come to mind? Conflict? Confrontation? Battle? War? Or maybe: Debate? Logic? Science?

These are common interpretations that have fueled the negative approach to negotiation and are dead wrong.

Contrary to the fictionalized, Hollywood-ized, and ripped-from-the-headlines versions of larger-than-life moguls and the big-bucks business world that, up to a point, never seem to lose, from the investment bankers in *Barbarians at the Gate*, to Gordon Gekko in *Wall Street*, to Lehman Brothers in *Too Big to Fail*, to Jordan Belfort in *The Wolf of Wall Street*—dealmaking shouldn't be a stare-down in a stud poker game, a shoot-out at the O.K. Corral, hand-to-hand combat, a high-tech military maneuver, or an all-out atomic war. Despite the macho, swaggering, in-your-face lingo—winner take all, out for blood, call their bluff, raise the stakes, battle-scarred, make 'em beg for mercy, first one to blink, an offer they can't refuse, nuke 'em, meltdown, go for the kill, last man standing—negotiation isn't about getting the other side to wave a flag and surrender. *Negotiation is not war.*

Despite all the clinical, logical, rational, psychological, data-sifting analysis, graphs, pie charts, methods, and techniques from MBAs, CPAs, CEOs, shrinks, mediators, mediums, gurus, and astrologers, *negotiation is not a science.*



12

THE POWER OF NICE, 3E

The problem is that war stories tell well. Wars have heroes and enemies and simplistic lessons: *Take no prisoners. To the victor belong the spoils.* (But war, you may have noticed, can lead to more war.) And science sounds like a formula. *If you do A, he'll do B, and you'll arrive at C.* Maybe. Unless he does D and then what do you do?

Negotiation as war and negotiation as science have each contributed to the popularity of the negative image of dealmaking, one by perpetuating the myth that the biggest, toughest thug wins and the other by way of the equally erroneous proposition that the coldest, least human calculator prevails.

Cultural conditioning (magazines, TV, movies, best-selling books, infomercials) has reduced dealmaking to images of brutal combat—often making great entertainment on film but lousy negotiation in reality. Gordon Gekko, the classic tough-guy negotiator from the movie *Wall Street*, played business hardball and never seemed to lose. (This is the movies, not life.) You may recall one scene where Gekko showed an adversary how the game is played (or Hollywood's version, anyway). In the scene, the well-dressed and self-impressed Sir Larry Wildman tries to bully Gekko into selling his shares of stock cheap so Wildman can pull off a takeover deal. Gekko, of course, is too shrewd to succumb to Wildman's intimidation. Gekko's protégè, Bud Fox, watches and learns. It went something like this:

Wall Street*

INT. GEKKO DEN—NIGHT

WILDMAN	I'm announcing a tender offer at 65 tomorrow. I'm expecting your commitment.
GEKKO	Showdowns bore me, Larry. Nobody wins. You can have the company. In fact, it's gonna be fun watching you and your giant ego try to make a horserace of it . . . (turns to Bud) Buddy, what's a fair price for that stock?
BUD	The breakup value is higher. It's worth 80.



GEKKO Well, we don't want to be greedy, so what do you say to 72?

WILDMAN You're a two-bit pirate and green-mailer, nothing more, Gekko. Not only would you sell your mother to make a deal, you'd send her COD.

GEKKO My mail is the same color as yours is, pal. Or at least it was until the Queen started calling you "Sir." Now, you'll excuse me, all right, before I just lose my temper.

WILDMAN . . . 71.

GEKKO Well now, considering you brought my mother into it, 71.50.

WILDMAN Done. You'll hear from my lawyers tomorrow. Eight A.M. Good night.

GEKKO Well, he's right. I had to sell. The key to the game is your capital reserves. You don't have enough, you can't piss in the tall weeds with the big dogs.

BUD "All warfare is based on deception . . ." Sun Tzu. "If your enemy is superior, evade him. If angry, irritate him. If equally matched, fight. And if not, split . . . reevaluate."

GEKKO Hey, hey, hey, he's learnin', huh? Buddy's learnin'.

*Excerpt from *Wall Street* ©1987 Courtesy of Twentieth Century Fox. Written by Stanley Weisner & Oliver Stone. All rights reserved.

The Hollywood version of dealmaking makes good entertainment; it just doesn't make for good deals. The person on the other side of the table doesn't have to stick to the script.

Now, think of the word "negotiation" again. In order to practice the Power of Nice, start by wiping out everything you knew, thought, or felt about negotiation. Forget about winners and losers. Forget about verdicts. Forget about survivors and victims. Forget about keeping score. Forget about statistics. Forget about science. Forget about war.

Going into negotiation and counting on scientific results is like betting on the weather. If the forecast calls for a 20 percent chance of rain and you leave your umbrella home and it rains, you won't get 20 percent wet; you'll get soaked.

**14****THE POWER OF NICE, 3E**

If you go into negotiation expecting war, bring a flak jacket. If you're armed for combat, the other side will be, too. If you have to win at all costs, so do they. Both sides attack, both sustain casualties. Neither side gives in, neither side gets what they want.

Negotiating a Phone Call

Imagine your car has broken down. You need to make a phone call for help and you have no cell phone. In the distance, you see a phone booth. You run to the booth but see there's a gentleman talking on the phone. How do you negotiate the man out of the booth? Do you wait patiently? Do you tap on the glass? How long is long enough to wait? Do you reach in and drag the man out?

Okay, change the facts. You had a car accident and your friend is near death in the passenger seat. You have to call 911. Now how do you negotiate? Do you wait patiently? Bang on the door? Throw the man out?

Change the facts again. You still have to call 911, but the man in the booth is Hannibal the Cannibal Lecter from *Silence of the Lambs*. Do you ask politely? Do you try to throw him out? Do you invite him to have dinner with your friend? Do you run for your life? As situations change, negotiation strategies must change. Negotiation isn't a science—there's no laboratory-proven answer. And negotiation isn't war—you don't attack Hannibal the Cannibal. Negotiation is a human interaction; it must be adapted and modified to fit the situation.

I Win–You Lose Becomes We Lose

Remember, if one party destroys the other, there's no one left to carry out the agreement. (Exacting exorbitant rents, punitive penalty clauses, or unrealistic noncompete terms often defeat their own purposes by creating disincentives; in other words, deals that are so good, they're bad.) The negotiation doesn't end when the contract is signed. If the other side is crippled by the deal, they will have every incentive to break the terms, literally having nothing to lose. You just made your first and last deal, instead of the first of many in a long-lasting relationship.

Nothing proves the point like history.



The Last Day of World War I was the First Day of World War II

It was 1919 and the Allies had defeated Germany. The story goes that the Allied representatives sat the vanquished German leaders down in a railroad car outside of Compiègne, France, to dictate the settlement that would eventually become the Treaty of Versailles. “Dictate” was the appropriate word. President Wilson had warned the Germans that the terms of armistice would be harsh—and they were.

German troops had to withdraw to a line six miles east of the Rhine River. Allied troops would occupy the evacuated territory. The German naval fleet was surrendered. Virtually all military supplies were given up to the Allies, including 5,000 cannon, 25,000 machine guns, 5,000 locomotives, and 150,000 railroad cars.

But the toughest demands were political and economic. Germany was ordered to pay huge reparations to the Allies in the form of cash and the removal of German assets and capital goods. France, which had been devastated by the German forces, regained Alsace-Lorraine and took over several German colonies. France was also given a 15-year lease on the Saar coal mines which, along with Lorraine, provided coal, iron, and potash to the development of heavy industry.

With a crippled postwar economy, it was soon clear that Germany could not sustain the burden of the payments. In 1923, the Dawes Plan was conceived to create a payment plan that Germany could meet. As a result of German reparation defaults, Belgium and France occupied the Ruhr district. By 1928, with Germany further behind, the Young Plan was a second effort to collect payments. Again, Germany was unable to pay. President Hoover called for a moratorium on reparations (and the United States forgave all debts from other Allied countries that were going to be repaid with monies they were to have received from Germany).

The Allies had won, Germany had lost. It was a classic I Win–You Lose negotiation. The Allies got to set all the terms. But the terms were unrealistic. *They made a deal that could not be carried out.* Instead of creating peace, they created further resentment. The loss of the Ruhr, the devastation of the German economy, the sacrifice of natural resources, all contributed to a latent, seething desire for revenge. Many historians feel that it was the ideal atmosphere for the rise of Adolph Hitler.

The deal that ended World War I, in effect, helped start World War II. In fact, when the Nazis invaded France, Hitler ordered that same railroad car, then housed in a museum, be the site where he would “dictate” the terms of the German occupation of France. I Win–You Lose became We Lose.

**16****THE POWER OF NICE, 3E**

I Win–You Lose and its negative consequences seem obvious when the stakes are high and you have the historical benefit of hindsight. But the principle applies to even the simplest deal. In our seminars, we often begin with this game. You can try it yourself.

The \$10 Game

Take 10 one-dollar bills. Find two people—two partners, husband and wife, people in your office, your kids. Tell them, “If you two can negotiate a deal in 30 seconds on how to divide the \$10 between you, you can have the money. But there are three rules:

1. You can’t split it, \$5 and \$5.
2. You can’t say \$7 and \$3 or \$6 and \$4 and make a side deal to adjust the division later.
3. If you don’t make a deal in 30 seconds, I take all \$10 back.”

Chances are, both parties will have a hard time resisting the urge to “win” and not “lose.”
You’ll hear the hard sell:

It’s better for one of us to get it than neither of us so let’s make it me.

I agree: As long as the one is me.

The soft sell:

Oh, gosh, whatever you think is fair.

Golly, how about \$7 for me and, say, \$3 for you?

No way!

The sympathy ploy:

I need the \$10. I just ran out of gas.

At least you have a car.

The so-called logic ploy:

We’ve only got 30 seconds so you take \$4, I’ll take \$6, and we’ll both come out ahead.

Yeah, but you’re more ahead.



The trust-me ploy:

Give me all \$10 and I'll make it up to you later. Trust me.

I've got a better idea. Give it all to me, and you trust me.

BZZZZ! Time's up!

Not only is it likely you'll keep your \$10 with this game, but you can learn a lot about why negotiations *don't* work:

- When you have no preparation time, you don't think; you react.
- When you have time pressure *and* no preparation time, you revert to habits—usually bad ones. (When someone else is watching and judging your negotiations, it just adds to the pressure.)
- Most people revert to the habit of *I Win–You Lose*. Each one wants to win so much, is so convinced one can win *only* if the other loses, that they both lose.
- Sometimes *I Win–You Lose* turns to *I Lose–You Win*. “I'll take \$4, you take \$6.” In the quest to make a deal, any deal, people sometimes give away too much. Never forget, the goal should still be *WIN–win*—at least maximize and ideally, the big win is yours.”

How Can You Achieve WIN–Win in the \$10 Game?

Start with this premise:

Maximize your interests. Determine what is the most you can come away with. Don't give away more than you have to. Get the most of a good deal, not the least of a bad deal. (That's another way of expressing WIN–win.)

Here are some interesting solutions we've seen in the seminars:

- **Look for points of agreement.** Rather than leaping into battle over who gets the most money, look for an idea upon which you both can agree. For example, “If we don't make a deal in 30 seconds, we both get nothing. So, let's start by splitting \$8 of the money, \$4 for me and \$4 for you. Now let's just negotiate over the last \$2.” Once you've found one basis for agreement, you may well find more.
- **Remove ego.** Take subjectivity out and replace it with objectivity. Use a coin flip. “Heads, I get \$6 and you get \$4. Tails, you get \$6 and I get \$4.” Both sides now have an equal chance to “WIN” or “win.” And, regardless, it happened “fair and square.”



- **Listen** carefully to the rules. They're limiting but not totally restricting if you're really creative. No one said you can't make change. Split the money \$4.99 and \$5.01. That's only a 2-cent windfall for the supposed winner.
- **Be creative—look for new approaches.** Increase the pie. Again, the rules allow for imaginative solutions. No one said you can't add to the total. Let's say, you put in an extra dollar. Now you're dividing \$11. You take \$6 and the other side takes \$5. Both sides "WIN" by increasing the pie before dividing it.

Unfortunately, most people don't reach these solutions. They fall into the conventional traps of win-lose negotiation.

The Real or the Apparent Adversary?

What most people lose sight of in dividing the money is who they're up against. Each of the two negotiators generally sees the other as the opponent. They're wrong. In reality, they're up against the person holding the money. If the two negotiators don't succeed in making a deal, the one holding the money keeps the money. Before negotiators can find solutions, they have to identify their real obstacles, not just the apparent ones.

FILLING THE NEGOTIATOR'S TOOLBOX

How do you avoid the pitfalls of negotiation? Don't revert to the same old methods to solve your problems. If your only tool is a hammer, all problems look like nails; if the only tool in your negotiator's toolbox is **I Win-You Lose**, then everything turns into an I Win-You Lose situation. Negotiating becomes a battle of wills and/or egos. It isn't a good deal unless you defeat the other side in the process.

Conversely, if the only tool you have is **I Lose-You Win**, every negotiation will look like you have to give in, sacrifice, or settle for less in order to appease the other side's appetite.

Turn a mirror on yourself and ask, "What tools am I using in my negotiations?" The goal here is to put more tools in your negotiator's toolbox. By giving you the appropriate tools *and* an understanding of how and when to use them, you can become a more confident, and ultimately more successful, negotiator. Instead of dreading negotiation, you may even look forward to it.

**WHAT NEGOTIATION IS**

Knowledge is power.

—FRANCIS BACON

If negotiation isn't laboratory science or a bloody war, if it isn't the macho drama portrayed in the movies, what is it?

Negotiation Is the Commerce of Information for Ultimate Gain

Let's take that definition apart. First, *the commerce of information*: Commerce is the business of trading. It's the stock market in New York, the commodities floor in Chicago, the street vendors in Tangiers. The difference here is that you're not exchanging corn futures for sowbellies or Moroccan francs for Persian rugs. *You're trading what you know for what you need to know.* In the negotiation market, information is the commodity. And in a negotiation, nothing is more valuable than information, whether it's two countries trying to make peace, two companies merging, two workers trading office gossip, or two kids swapping baseball cards. Is one veteran's card worth three up-and-comers? It all depends on information: What one kid wants and how bad. What the other kid has and is willing to give up.

BUZZ I'll give you a Ichiro Suzuki. What'll you give me?
 BOB I'll give you a Joe Mauer. But I won't give you my Derek Jeter.
 BUZZ That's okay, my cousin's got a Derek Jeter—he'll trade me.
 BOB This one's in mint condition.
 BUZZ Well, all I got is a whole mess of rookie cards.
 BOB Really? I got a rookie collection. Which ones you got?
 BUZZ Let's see. I've got an Adam Jones and a Matt Wieters.
 BOB Not bad, but not enough for a mint Jeter.
 BUZZ Okay, see ya.
 BOB You sure you don't have any others?
 BUZZ Well, my little brother has this Mike Trout.
 BOB Too bad it's your brother's.



20

THE POWER OF NICE, 3E

BUZZ He's only five and he says I can do whatever I want.

BOB Really? Well, I have to think about it.

BUZZ I gotta go in for dinner.

BOB Deal.

Kids swapping cards are no different from grown-up dealmakers. The commerce of information determines whether there can be a deal at all. Does one side have something of possible or real value to the other side, and vice versa? Do the sides want to make a deal or are they fishing? Is there competition? How deep are the buyer's pockets/resources? What are the terms of the deal? Who has decision-making power? Does either side have a deadline?

After feeling each other out with two players' cards either side would give up (*fishing*), Bob revealed he had the Derek Jeter card (*possible value*). Buzz wisely explained that he already could get a Jeter from his cousin (*competition*), which led to getting the information that Bob's Jeter card is in excellent condition (*real value*). Then, Buzz gave up information again, this time admitting he only had rookie cards (*limited resources*). Very smart move by Buzz. Either way, he learns. If Bob doesn't want rookies, there's nothing to talk about. But if he does, then there's plenty to talk about. It turns out Bob collects rookies (*value for both sides*). Buzz offers two rookies but Bob wants a third (*terms of the deal*). The third belongs to Buzz's brother, but Buzz can speak for his brother (*decisionmaker*). So now it's up to Bob to ponder whether it's a good deal. But Buzz has to go in for dinner (*deadline*).

Each side obtained information. Each side gave information. But one side got more than it gave. Each piece of information given out garnered key feedback, which better equipped that side for negotiation.

And that leads to the second half of the definition of negotiation, *for ultimate gain*. You enter a negotiation with a goal or goals—to get what you came for—to gain: a piece of land, a client, a lease, an option, a contract. You want to win but it *doesn't* mean the other side has to lose. In fact, it may not matter what the other side gains, as long as you achieve your goal. (You should even be willing to *help* the other side get what they want, *if* it enables you to realize your goal.) That's WIN–win or GAIN–gain or maximize your win.

But you're not just after gain; you want ultimate gain. That means two things. One, it may take a while. Be patient. Be ready to exchange as



much information as possible. Let it sink in. Wait. Each deal has its own pace. (They can be sped up or slowed down, but not without affecting the results.) Allow each side to absorb the information, modify positions, evolve goals, adjust expectations, even save face. Ultimate gain means “ultimate” as in later, down the road, well past today’s deal. It means the next deal that comes out of the first one, or a renewal of a contract, or forgiveness for late shipping, or offering a reference to your next prospect, or even making you a partner in their next deal. You never know when ultimate is coming but you can be sure it will arrive. That’s when you find out just how good that deal was in the first place.

Now put the definition back together:

Negotiation is the commerce of information for ultimate gain.

Or in shorthand, *negotiation is using knowledge to get what you want.*

Everything Worthwhile in Life Happens after 10:00 P.M.

Some deals seem to come up over and over again. You face the same guy on the other side, who uses the same techniques to get the same results. He knows what he wants and you know what he wants. So you have lots of opportunities to do the deal until you get it right. But you never get it right.

You know the kind of guy I mean. He trades in the commerce of information better than you do. He attains ultimate gain better than you do. He’s one of those shrewd but patient types, armed with dogged determination and relentless pursuit. Everybody has a negotiating nemesis like that. Mine is, or was, my stepson, William, now an adult but then only 11 and already a skilled dealmaker as I take you back to this scene:

It’s dinnertime and William is perfect. “Mm, these lima beans are delicious.” By 7:30 P.M. he’s doing homework. He’s quiet, he’s studious, he’s a model child at 8:00... 8:30... 9:00... 9:30..., right up until the minute hand creeps across the hour mark of 10:00. That’s when William the Cooperative becomes William the Conqueror: because 10:00 is his bedtime. Theoretically. (Call our house at 10:25 any night and see who answers the phone.)

On weekdays, 10:00 is prime time, the start of *NYPD Blue*, *ER*, or *Law and Order*. Sometimes 10:00 is the bottom of the sixth inning with the score tied, Orioles 3–Yankees 3. But 10:00 is always when William engages in “the commerce of information for ultimate gain.”

**22****THE POWER OF NICE, 3E**

WILLIAM My science teacher says kids my age only need six hours of sleep.

ME I thought it was more like eight hours, William.

WILLIAM Well, if you think I shouldn't believe my science teacher . . .

ME Of course, I think you should believe your science teacher.

WILLIAM Me, too. So, then I guess I should get to stay up later.

WILLIAM If this was a playoff game, would you let me stay up?

ME I guess if it was a playoff, maybe.

WILLIAM This game could turn out to be the key game that decides if the Orioles make it to the playoffs. So it's really a playoff game for the playoff game.

WILLIAM Have you ever seen *Law and Order*?

ME No, I haven't.

WILLIAM It's about lawyers, so it might help you do your job better. I'll stay up and watch it with you.

William knows that if he can get me interested in what he's interested in, I'll forget what time it is. Pretty soon, I'm caught up in Law and Order and I'm asking William why the cop is lying to the DA. Or it's the eighth inning, the Orioles are up by two runs, and New York has the bases loaded.

(William fishes with information until he hooks me.)

WILLIAM The judge is in love with the woman who's accused of the murder.
(He waits for the information to penetrate.)

ME But the cop said the woman just moved from Boston.
(William builds on it.)

WILLIAM The cop is a bad guy, too. He and the woman are partners.
(William works me slowly, patiently. Meanwhile, the clock is ticking. He's already getting what he wants, even in the process of negotiating.)

ME How do you know?

WILLIAM You'll see when the trial starts.
(I modify my position.)

ME Okay, just until the next commercial.
(He trades more info.)

WILLIAM The DA has a secret witness.

ME Really? Who?

WILLIAM They won't tell you until the very end.
(He's got me!)



By now, it's close to 11:00 and I'm yawning. William, whose bedtime is absolutely, positively, without exception 10:00 P.M., is up, wide awake.

So, at my house, it was clear who was best at using "the commerce of information for ultimate gain": William, age 11, skilled negotiator.

WHAT NEGOTIATION CAN BE

Success is finding the right customers and keeping them.

—MBNA CORPORATE MOTTO

It's not the sale, it's the relationship that counts.

—MBNA'S JOE GATTI

Negotiation seems like a finite activity, with a beginning and an end: You're selling and I'm buying. You set a price, I offer, you counteroffer, I counter your counter, you modify, I accept, we sign, deal's done. Not necessarily.

Negotiation can be the initial step toward lasting business arrangements. It can yield clients, not just buyers. It can lead to repeat business, added business, referrals, even loyalty. Negotiation can result in partnership instead of one-upmanship. But it rarely does.

Most people act as if the deal they're making is the last one they'll ever make with the other side. In fact, the opposite is generally the case. Banks want to lend money to people who pay it back. People like to borrow from banks that give terms they can live with. Shopping centers try to retain good tenants. Tenants wish to remain where business is good. Sports teams want to hold on to their stars. Stars like to keep playing for good teams. Husbands who hate cleaning the bathtub hope their wives will trade for sweeping the garage. Most deals are just daily or monthly or yearly pieces of an overall deal . . . or they should be.

Name five of your negotiations that were truly one-time deals, with no ramifications, no chance for future deals, no openings for



repeat business or for an ongoing relationship. Those five represent lost opportunities for long-term deals. The point is, you have nothing to lose by assuming you might do business again.

MBNA: The Credit Card Company That Started in an Abandoned A&P Supermarket . . . and Eventually Became One of Bank of America's Largest Acquisitions

MBNA was a company that didn't even exist before 1982. That's when a gentleman named Charles Cawley opened a fledgling credit card company in an old A&P store that A&P didn't want anymore.

MBNA had a simple philosophy: *"Success is finding the right customers and keeping them."* It wasn't brilliant as much as it was sensible. The company didn't have many customers—and customers were hard to get. So, management figured when they found a good customer, they should hang on. Once they had one customer, they went after two and kept two, and then three, and ten, and a hundred.

In an industry that had become too complacent about the word "churn" (constant customer turnover), MBNA went on a crusade for retention. Throughout the office was posted one of the company's mantras, *"Think of yourself as the customer."* When a cardholder called with a billing question or complaint, the goal was no more than two rings until a customer service representative answered. The staff was educated to be fanatically polite and knowledgeable. Good customers were automatically rewarded with higher credit limits without having to request the increase. Management often personally responded to customer inquiries.

Further, MBNA found new ways to bond with customers. The company pioneered affinity cards, credit cards tied to professional groups, universities, or other organizations to which the customer had loyalty. A University of North Carolina graduate could feel good that every time he made a purchase with his Tarheel MasterCard, he was supporting his alma mater. And he'd be far less prone to cancel his Tarheel card than he might be to cancel a card from an impersonal credit card company. MBNA soon became the industry leader in affinity marketing, with endorsements ranging from the American College of Surgeons to the Chicago Bulls. Needless to say, the company outgrew that original A&P store.

Headquartered in Wilmington, Delaware, MBNA became one of the top three credit card issuers in the world, with annual profits in excess of \$500 million, and more than 14 million customers it served loyally and tenaciously (and, not surprisingly, had a very low churn rate).

The business philosophy at MBNA was: *There are no short-term, one-time deals.* Every customer was a potential customer for life, whether an affinity group, a partner



bank, or the ultimate consumer/cardholder. In every town where MBNA did business, the company was determined to be the best corporate citizen, to stay and to have the communities want them to stay. Employees were taken care of the same way. MBNA recognized effort and dedication. The company didn't just give raises; it gave awards. It promoted from within. The result was a very low churn rate of employees as well.

In fact, MBNA's business philosophy ingrained itself so deeply that the employees became walking ads for the corporate culture. One of the top MBNA performers, Joe Gatti, came up to me in the parking lot before our first MBNA seminar even began, and, like the scene in *The Graduate* where the family friend offers Benjamin Braddock that memorable career-counseling wisdom ("I have one word for you, Ben. Plastics."), this executive looked at me and said, "It's not the sale, it's the relationship that counts."

At MBNA, it never was about the bottom line of any one deal. It was always about the cumulative reward over the life of the relationship. No wonder the company became so successful so fast. No wonder it became the model and envy of the credit card business, including much larger competitors.

And no wonder in 2006, the company was sold to Bank of America for \$35 billion. Not bad for a company started in an empty supermarket.

As you'll read in Chapter 4, negotiation can and should be a *process*, not an *event*. But one aspect of that idea is, when you live from sale to sale, each sale becomes a measure of success or failure. If a competitor undercuts your price, you lose. If you overpromise and can't make good, you lose. Even if you make the sale, it pays a one-time profit and you have to start over with the same customer tomorrow. When you have a relationship with a customer, prices, promises, and results are measured in total return.

Sales pay one-time profits. Relationships pay dividends. It's a simple matter of economics. Which do you prefer?



REFRESHER

Chapter 1: Negotiation

What it isn't, is, and can be

Four Objectives

1. Display confidence. Confident negotiators negotiate better.
2. Achieve WIN–win. Both parties win, but you maximize your win.
3. Use the 3 Ps: Prepare, Probe, Propose.
4. Handle tough negotiations.

PEP

Participate: Be open to change, read, reread, question.

Engage: Throw yourself into the process of learning negotiation.

Personalize: Relate what you learn to your career and your life.

Lessons from the \$10 Game

- Find ways to agree—create momentum.
- Remove ego—break deadlocks.
- Listen carefully to the rules.
- Be creative—look for new approaches. Increase the pie—before splitting it.

Negotiation is *not* war.

Negotiation is *not* a science.

Negotiation is the commerce of information for ultimate gain.



I Win–You Lose Becomes We Both Lose

With the Power of Nice you can:

- 1.** Make deals.
- 2.** Build relationships.
- 3.** Make more deals.

P.S. Don't negotiate with kids. Chances are, you'll lose.