



POWERFUL NEGOTIATION

FIVE SIMPLE STEPS
to become a confident
and fearless negotiator.

The Problem

Imagine the following scenario. You've just closed a large, important deal that involved a lengthy and difficult negotiation. At times, you weren't even sure if the deal would go through. You should be feeling proud of what you've accomplished. Instead, you're left feeling uneasy. You wonder if you left value on the table. You worry about whether or not you managed to cover all the angles and if your boss will be happy with the deal. Perhaps you even worry that the deal might not stick or come back to bite you in the future.

If your role involves negotiating deals, this scenario might sound all too familiar. If you manage a team of negotiators or contracting specialists, I can assure you that your team is likely to carry those worries into every deal they do. That is not a recipe for a confident, powerful negotiation.

The Secret

The secrets to powerful negotiation are the tools and techniques that top negotiators use to close billion dollar deals. They are the skills that set great negotiators apart from the rest.

The good news is... I am going to reveal the core secrets to Powerful Negotiation in this eBook.

The reason why some executives are so much more effective and powerful in their negotiations is all about confidence. Yes – confidence is one of the secret ingredients all top negotiators have.

Success is built on competence and confidence.

How would it feel to know, without a doubt, that you've just negotiated a powerful deal you don't have to spend a second worrying about? Wouldn't it be great to be able to say with confidence to your manager that you negotiated the best deal available for both sides and, even better, that the other side agrees with you?

That's powerful negotiation. It means negotiating with confidence and being in control of the process, rather than letting the other side drive your deals. It means more efficient deal making and never having your manager second-guess you again. It means amplifying your own negotiating power and knowing how to use that power effectively.



My Passion

I'm Dr. Matt Lohmeyer, and I know a thing or two about high-stakes negotiations. As the Principal of Negotiation Partners, I regularly lead and advise on major negotiations for government departments and large corporates in Australia and overseas. Some of my favourite clients over the last few years include the Department of Defence, Merck Sharp & Dohme, Flight Centre, Thales, Reckitt Benckiser, Woolworths and many other ASX-listed companies.

I'm also a founding member of the Institute of Negotiation Professionals and was until recently the Program Director for negotiation skills training at the University of New South Wales (UNSW) Business School in Sydney.

You can get LinkedIn with me at: <https://au.linkedin.com/in/negotiationpartners>

In this eBook, I'll guide you through five simple and essential steps to become a more powerful and more confident negotiator. My hope is that you not only read about these useful skills, but that you will apply them in practice. I guarantee that they will make your negotiations more efficient, more effective and more enjoyable. What a powerful combination!

As I like to say:

"If you are not having fun negotiating, something is going terribly wrong!"

With that in mind, let's get started!



1. PREPARE SYSTEMATICALLY

“The best preparation for good work tomorrow is to do good work today.”

– Elbert Hubbard

Preparation is the most critical part of any negotiation. Unfortunately, it's also the most overlooked. If you aren't properly prepared for all aspects of the negotiation, the chance of mistakes or misunderstandings greatly increases.

A recent report by Deloitte Access Economics examined procurement practices in public sector construction. They determined that poor government procurement practices waste over \$426 million per year. \$426 million. Let that number sink in for a second. That is enough money to fund an entire hospital - or two.

How was so much money wasted? The simple answer is poor preparation. The study found that the main culprits were unclear project objectives, inappropriate product delivery models and not guaranteeing the accuracy of information within product briefs.

All of the above greatly increase the uncertainty for the contractor and so the overall cost of construction projects.

Good preparation leads directly to better outcomes for all parties. There's also a personal benefit for you. If you are well prepared, you can be much more confident at the negotiating table. If you know exactly what you want, you'll know precisely what to ask for and how to ask for it.

With that being said, all of us still have days where we aren't quite on the top of our game. It happens. If you have a bad day at the negotiating table but came well prepared, you're still pretty likely to get a reasonable deal. However, if you're poorly prepared, it won't matter how great a negotiator you are. You'll end up negotiating great terms for the wrong deal.

At this point you might be thinking, *“This is all great, but HOW do I actually go about making sure that I'm well prepared?”*

Here is my simple five-step system for effective preparation. I use it with clients on billion dollar deals and I use it privately when buying a new car or a TV. The system works.

a) Start by building your negotiation agenda:

The most important thing, of course, is to have a clear idea of what items you want to negotiate. This is your negotiation agenda or list of points.

As the saying goes, “If you don't ask, you don't get.” Unless you know what to ask for, you'll have a tough time getting it. Figuring out your list of negotiation points ahead of time will help build the foundation for a smoother negotiation process. You'll have a better chance of reaching a deal with the other side.

The obvious points include price, quantity, quality, delivery terms, etc.

Then there are the finer points such as intellectual property rights, exclusion periods, trial periods, branding, payment terms, effective date, promotion, freebies, etc.

Finally, there are items that centre on the technical, the contracting and the legal sides of things. These include warranties, liabilities, approval processes, tax withholding, etc.

The first step of powerful preparation is to make a long list that includes all of your agenda points. If you've got a 128-clause standard contract, you'll probably have at least 128 points to negotiate. **Write out everything you want in the deal.** This is important, because

often the devil is in the detail. Step one of the process is designed to help you figure out exactly what you want to negotiate into the deal.

b) Decide what a really good deal looks like:

Step two is to decide what a good deal looks like for each point on your list. For each point, you need to define your Optimistic Entry position – your OPEN, for short.

For example, if you want to buy a fleet of 12 company cars, then “12” is your OPEN on the number of cars. Why would you ask for 16 and wait to be haggled down to 12? If you want the cars painted green, then your OPEN on paint colour is “green”.

The appropriate OPEN on some other points might not be as obvious. How do you work out your optimistic entry position on price, for example? This is where research comes in. Do your homework. Look at past prices, recently expired contracts or common discounts in that particular industry. Based on your findings, work out the best possible price you think is just reasonable enough to get away with in the current market. What is the most optimistic entry price that you can justify using facts, figures and numbers? That should be your OPEN.



Resist the temptation to make a fool of yourself by asking for more than you actually want or can reasonably obtain. Don't aim for the stars in the hope that somehow you might get lucky. Effective negotiators don't waste time with unreasonable or unrealistic demands. **Open optimistically, but realistically.** This will start the negotiation process off on the right foot.

c) Prioritise your wants:

Now that you have your list of agenda points and your OPEN for each, you know what you want. Of course, not all wants are equally important, so you need to prioritise.

Have you ever watched or been part of a negotiation where the two sides are at loggerheads with each other or deadlocked over an issue? Perhaps you thought to yourself: "Why is that so important? They are not seeing the forest for the trees." This is one of the classic examples of prioritisation failure. When negotiators haven't prioritised their wants, conflicts are much more likely to arise.

To avoid this happening to you, here's what I want you to do. Be crystal clear about the priority of each of your wants. Ask yourself, "*Between these two issues, if I could only have one, which would I prefer? If I had to make a compromise,*

where would I be comfortable being more flexible?" **Be ruthless. Establish a crystal clear priority order.**

- If I can get a better price on blue cars, would I consider it?
- Can I be flexible on volume to achieve a better unit price?
- Could I accept a lower quality or warranty in return for a better price?

Only when you know the relative priorities of your wants can you trade on your lower priorities to ensure you achieve your higher priorities.

d) Define your negotiation IQ:

At what point will you decide to walk away? When is 'no deal' preferable to the deal on the table. As a powerful negotiator, you must know the answer at all times.

To help you understand *your negotiation IQ*, or your *'I Quit' position*, you need to clearly *define your exit position*. This is the point where you decide to walk away from the deal.

Being very clear about your exit positions, and sticking to them, is crucial. It is both a source of power and it prevents you from making bad deals. How often do we see people get sucked in at house auctions or on eBay? They get so caught up in the excitement of the auction process that they completely

lose sight of their exit position (the highest price they were looking to pay). Once you go past that threshold, what else is there to stop you? Very, very little. Many novice negotiators don't even set a limit. They think, "*Just a little bit more...*" In the blink of an eye, they've spent more than they ever intended to.

You must have a firm exit position and be fully prepared to act on it. Two of the best deals I have ever done are deals I walked away from. And I'm sure you'll find that many of the deals you walk away from suddenly come running after you on better terms...

Of course, not every point will have an exit position. Not every issue is worth dying in a ditch for. Only the most important points on your agenda are likely to have an exit position. This is another reason to prioritise your list of wants.

Once you have your wants, priorities, opens and exits all worked out, you're in a great position to start negotiating.

You'll be better prepared than most of the people you will ever meet at the negotiating table. That alone will make you stand above the rest, will give you confidence, and will directly translate into better deals.

Put the System into ACTION!

Download the one-page preparation worksheet by clicking [HERE](#) and have a go! Use it to define your wants, priorities, opens and exits for a current deal you are working on. Whether you are looking to close on a house, planning your next family holiday, leasing a fleet of cars, or running a major procurement negotiation, use the system to prepare.

You'll be amazed at the clarity and confidence that just a small investment into structured preparation can provide!

As Abraham Lincoln once said, "*If I had four hours to chop down a tree, I'd spend the first two hours sharpening the axe.*" That's Powerful Preparation.



2. HAVE A GOOD BATNA

Powerful negotiation is also about maximising your negotiating power. Avoid negotiating if the other side is your only option for a deal. Why?

Your negotiating power is significantly reduced if they know that you have to buy from them, or if you don't have enough time to switch suppliers if the negotiation falls through. If you cannot switch suppliers and have nowhere else to turn, the other side has you over the proverbial barrel.

Commercial tension is a powerful motivator. Tender processes, for all their shortcomings, are great at creating commercial tension. Unfortunately, many procurement executives then throw that commercial tension out of the window by declaring a preferred tenderer and negotiating a sole-source deal. That's what I call squandering your negotiating power.

So, how do you negotiate powerfully? First, understand your BATNA.

Ask yourself, *"What is genuinely my best alternative to the current deal I'm negotiating?"* That is your current Best Alternative to a Negotiated Agreement or 'BATNA'. It may be great, it may be terrible, but you will always have a BATNA.

If you're thinking of buying something from supplier X, you probably have a lot of alternatives. Could you:

- buy the same from a different supplier?
- buy the same, but to a lesser specification?
- buy something different that would work just as well for your needs?
- lease it, rather than buy it?
- build it in-house, rather than buy it from an outside provider?
- change what you do, so you no longer need it at all?
- just simply go without it and make do?
- or maybe something else...

What are the best alternatives to your current deal? This is the question you need to ask yourself.

Once you've worked out what your best alternatives are, you then need to ask yourself, *"How can I improve the quality of those alternatives?"* The more real and compelling your alternatives are, the more negotiating power you'll have at the table. When the current deal is no longer your only viable option, and the other party knows that, you can negotiate powerfully for a better deal.

YOUR ACTION: Think about a deal you're currently negotiating. If the other side just walked away because they were no longer interested, what would be your best alternative? What would you end up doing? What could you do to improve the quality of your BATNA?

Once you've decided how you could improve that alternative, I challenge you to go and pursue it. Make that BATNA as strong and as real as you can - perhaps even by negotiating two competing deals in parallel.

Once the team on the other side realise that you have well prepared options, the power balance changes. You are no longer fighting for better terms with the other side, but the other side will be scrambling to make sure they rather than their competitors get your business. You'll see the results of that extra effort in the quality of your deals.

Your BATNA is your insurance against a bad deal. The better your BATNA, the more negotiating power you have.



3. GET A CLEAR MANDATE

*“Clarity affords focus.”
– Thomas Leonard*

Once you've done your preparation and have an alternative or two in your back pocket, you need to see your manager and get a mandate. Why should you do this? I'm certain most negotiators have at some point taken a deal back for approval, only to be told that either *“It's not good enough.”*, *“We need a bit more.”* or perhaps *“I'm sure we could do a bit better.”*

For a negotiator, this is a disaster. It leaves you embarrassed within your own team, will sour the relationship with your external supplier, and it's certainly not good for your credibility as a negotiator.

There is only one fix: **you must get a clear mandate before you start negotiating.** Ask your manager to sign off on your preparation, your open, your exit, your priorities and your BATNA. Don't allow your manager to brush you off. You need clear instructions and guidelines on what will – and what will not! – be approved at the end of the day.

A clear mandate also has powerful benefits for you. The most important one is confidence. It will allow you to

look the other side in the eye and tell them exactly what your organisation wants. You'll be able to say to them, very clearly, what you can and can't agree to. A clear mandate translates directly into confidence, power and better deals.

There is yet another advantage for you. You can now legitimately impress your boss with the deals you negotiate. If your manager has signed off your mandate, they have essentially laid down what they believe a good deal looks like. If you come back with a deal that is better than what they signed off on, then you'll be able to point to that improvement as additional value that you have added. You will have delivered additional benefit to your organisation and exceeded your manager's expectations. This information is going to be handy at your next pay review.

YOUR ACTION: As soon as you've prepared for your next negotiation, run the details past your boss. It might be a little bit tricky to get him or her to sign off, but be persistent. Explain the importance of having a clear mandate.

4. PREPARE A LONG WISHLIST

What exactly is a wish list? That's a great question!

It's a list of extras that, if circumstances allow, would be great and useful to work into the deal. However, they are NOT important or essential to the deal. Essential points should all be in your list of negotiation points in step 1! Your wish list should be all 'cream', 'frills' and 'bonus items'.

Why do you want to create a wish list? Negotiating is a trading game. The more bargaining chips you have, the more effectively and flexibly you can trade. It's as simple as that.

Every time the other side asks you for something more, you can counter that demand by asking for something reasonable in return. Pick a suitable item off of your wish list!

I often negotiate with conference venues and hotels to run training programs or to host negotiating sessions. Our wish list for negotiating with venues extends over two A4 pages - double columns. We have thought of many different items and possible opportunities for us

to add additional value to our deals. The best wish list items are low cost to the other side, but high value to you. Some of my favourites from our 'negotiating with hotels' list include:

- Free unlimited Wi-Fi
- Free car parking
- Free cooked breakfast
- Free unlimited barista coffee / free drinks at the bar
- Free access to executive floor and lounge
- Free access to local fitness club
- Free room upgrades to top floor / ocean views / executive suite
- Free weekend room for return visit...

You won't be including all wish list items into every deal, but every time you can weave a few wish list items into the deal, you've added value for your organisation.

YOUR ACTION: Once you've prepared the main items for your next negotiation, take some time to sit down with a few people from your team and brainstorm a wish list. If corporate policy allows, opening a bottle of wine or cracking a

couple of beers could be handy to get you all into the right creative mood. Spend some time brainstorming a rich and creative wish list. Don't hesitate to throw your ideas out there. What else could the other side do for your organisation that might be handy to have or would add value to your team or your business? Keep that list alive

well beyond the current negotiation. As new ideas come up over time, add them to the list. It should be growing all the time.

Remember to take your wish list into the negotiation with you. You never know when an opportunity will arise to work your favourite wish list items into the deal.



5. GET UP CLOSE AND PERSONAL

“ The single biggest problem in communication is the illusion that it has taken place. ”

– George Bernard Shaw

One of the biggest mistakes you can make is trying to negotiate an important deal by phone or by email.

In spite of light speed internet and communication technology, nothing quite replaces the personal factor when it comes to negotiating.

Actually sitting down and meeting the other side face to face is still the most effective method to negotiate. Why? Because great deals are built on an excellent understanding of the other side's needs and worries. You just don't get that by email.

If a meeting is not possible, videoconferencing is the next best alternative, but still pretty poor by comparison. Avoid the phone if you can, avoid email like the plague and, of course, never negotiate by letter (except to send them their copy of the signed deal, of course).

Don't get me wrong. Email, term sheets and written contracts are great for documentation and for confirming what you've actually agreed to. That's an important part of the process as well. However, for actually negotiating the

deal, meet the other party in person whenever possible. The more important the deal, the more crucial it is that you do this.

So if you're buying two-dozen pencils, go ahead and pick-up the phone. However, if you're buying \$1 million worth of equipment, the cost of the airfare and the trip out to meet the other side will quickly pay for itself. There is a simple rule - if the deal you are negotiating is bigger than a month of your salary, it's worth spending a few focused days face to face.

YOUR ACTION: What are your plans for the next important negotiation? Instead of scheduling a phone call or writing an email, contact the other side and arrange a personal meeting to discuss the deal. If that's not possible, at least use Skype or another videoconferencing service.

Even though this might take some extra time and money, you will get faster progress, a better relationship and an overall better deal in return.

I know I said I'd offer you five steps to becoming a more powerful negotiator. Let me add one last tip as a bonus.

BONUS TIP: WORK AS A TEAM

"Talent wins games, but teamwork and intelligence wins championships."

– Michael Jordan

Negotiation is a team sport. There is too much to do at the negotiating table for one person. You cannot negotiate powerfully all by yourself.

Have you heard the saying, *"You have two ears and one mouth, and should use them in that proportion."* The same should also be applied to the negotiation process. Negotiation is less about talking and more about listening. However, managing talking, strategising, proposing and listening are all challenging tasks for one person to accomplish alone. We each only have one brain, after all.

When negotiating, two or three sets of eyes, ears and brains are much better than just one. Take at least one other person with you to observe, listen, ask questions, clarify points and give you some breathing space and time to think when you need it. Of course, they can also be very handy during preparation, keeping you focused and helping to

brainstorm wish lists.

I was once in a negotiation where we were negotiating with a much larger team of around 10 or 12 people. Common wisdom (not so wise!) says you should match their numbers to balance out their power - that's nonsense.

Negotiation is not a game of numbers or the weight of their forward pack - it's a game of skill. We had a small team of four people and were running rings around them during the negotiation. The difference was that our team was focused and skilled. Theirs was unwieldy and their people were not playing together as a team. They were playing as 12 individuals and often not on the same page.

At Negotiation Partners, we teach advanced negotiation skills and how to work as a team at the negotiating table. The most important component of successful teamwork is to make

sure that everybody has a clear task to do. I could write an entire article on the intricacies of teamwork at the table, but that will have to wait for another time.

Remember to play as a team, not as a bunch of individuals. Share the tasks at the table and remember not to cross over each other.

YOUR ACTION: If your next deal is important, take at least one other person with you. Go through the preparation process together, and make sure that you each have clear tasks to do at the table. Play as a team, and you will win as a team.



BRINGING IT ALL TOGETHER

In our Advanced Negotiation Skills Program, we cover over 134 different learning points. In this short eBook, I have focused on six key steps designed to boost your levels of confidence and power at the negotiating table. Of course, these core skills apply to any negotiation, from sales to procurement and from internal management negotiations to negotiating at home. Let me summarise:

1. The most important skill is good **preparation**. Be clear about your wants, your open, your exit positions, and your priorities for the deal.
2. Have a good **BATNA** ready to go. It will give you the confidence of maximum leverage.
3. Get a clear **mandate** from your manager. The clarity and power you get from knowing you have a clear mandate is amazing.
4. Go into the negotiation with a rich **wish list**, so that you have plenty of opportunity to trade and add value to the deal.
5. When negotiating, wherever possible, **get personal**. Avoid technology except to confirm what's already agreed. Look them in the eye, speak face-to-face, shake hands. Get to know them as an individual.
6. Prepare and **negotiate as a team** - a focused and trained team will outperform solo negotiators as well as large negotiation teams.

Those are my six tips to give you more confidence and more negotiating power for your next negotiation.

Rest assured: no one is born a good negotiator. Negotiating is, above all, a learnt skill. Unfortunately, there is often an emphasis on technology and process, at the expense of the core skills of negotiating, persuasion & influencing and problem solving.

None of these core skills are easy to acquire, yet somehow most managers expect their staff to just pick them up 'on the job'.

In practice, most executives learn their negotiation skills by copying those around them or by attending negotiation skills courses run by academics and self-appointed experts, rather than professional negotiators.

I hope that sharing some of the secrets professional negotiators use will help you in your next negotiation.

If you want to know more, please check our blog, sign up for skills tips, or join one of our online or our coaching-based skills programs.

I'd also welcome your feedback on this eBook. If there are any other topics you'd like me to write on, please get in touch. You can always reach me at info@negotiation.partners

As Chester Karrass used to say:

"In business and in life, you don't get what you deserve, you get what you negotiate."

Happy negotiating!

Dr. Matt Lohmeyer

P.S. Don't forget to get LinkedIn: <https://au.linkedin.com/in/negotiationpartners>

