

NEGOTIATE LIKE “THE GAMBLER” TO WIN

Most executives relish upcoming major business negotiating sessions with about the same zest as they do a root canal at their friendly dentist. The stakes are always high. Negotiate too hard and the deal is lost. Be too timid and you will leave money on the table, which in today's economy is nearly as bad as losing. Having been a strategic negotiator for many years, I know that successful negotiation is an art, rather than a science. However, behind the skills that come from years of senior executive level negotiations are a few basic principles that I call the “THE GAMBLER” PRINCIPLES, after the song immortalized by Kenny Rogers. Lest you form the wrong idea, I do not want to infer that negotiating and gambling are synonymous, or even remotely associated. In fact, following my counsel will effectively insulate you from taking ill-advised and unnecessary risks in a moment of desperation. Now, on to Kenny's famous words:

You got to know when to hold 'em

Know when to fold 'em

Know when to walk away

Know when to run

You never count your money

When you're sittin' at the table

There'll be time enough for countin'

When the dealin's done

The three most important concerns in any negotiation are first, relationship, then risk and lastly, value. These concerns are the real decision criteria that underlie any business transaction leading forward into the future. My starting goal is always to seek a win-win outcome. This is usually possible, but there are those unusual cases where win-lose or walk/run away becomes the only viable outcome. It should only be the other party's intransigence that necessitates the latter results.

First however, in order to have a successful negotiation, there are three essential mental bridges that must be crossed well before you enter the room to negotiate. These are:

- 1) Clarify the Relationship – Simply put, what is the current real and perceived business and personal relationship and its true value to your organization's future. Far too often we hold on to the past, not realizing that frequently we must be willing to let go of what we have in hand, if we are to be free to reach out for something better. We must carefully consider what could be lost in this negotiation, but alternately also what new doors may be opened to us, given the new found freedom we would gain without the existing relationship. As business leaders, far too often we continue pursuing existing relationships beyond their prime, simply because it is easier and more comfortable than striking out to develop a new relationship that better suits our organization's future. Thus we must place a well thought through value on continuing the relationship, in view of the pending negotiations.

- 2) Clearly Structure the Outcome Desired by Both Parties – I often find that parties will enter a negotiation with the drive to win or even win-win, but never having committed to paper beforehand precisely what that means. Oh yes, they have a general idea, i.e., to place the contract at the best price or cost. However, they have not defined what is the optimal combination of price/cost and all other terms that reflects both parties' best long term interests. What is that magic package that allows everyone involved to believe they have been dealt with fairly and therefore, the relationship blossoms? I like to begin by preparing a written scenario that outlines what each party should view as a "great deal". This is the optimum "win-win" agreement.

- 3) Determine Your "Walk-Away" Point – This is sometimes the hardest, but always the most important pre-negotiation decision you must reach. It is not a decision to be considered later, in the heat of the negotiation. It must be approached calmly and with the prior two points in mind, for we truly need to understand what each side requires to make it a "great win-win" agreement. Then if the other side becomes unreasonable and prevents it from happening, we must weigh the predetermined value we placed on the relationship as well as ask the question, do we really have a mutual relationship or merely one party taking undue advantage of the other?

With the answers to these three questions firmly in mind, we are prepared to begin negotiating. I am not a believer in much of the posturing that some negotiators put great stock into, such as who opens first and how, etc. What I do believe in is TRUTH when negotiating, as in all interpersonal affairs. Truth and candor are of paramount importance in building trust between the parties. This does not mean however, that you should, returning to Kenny Roger's song, necessarily show all your cards at once. After all, negotiating is merely a more formalized variation of common marketplace bartering. It is all about give and take and each party's perceptions of value. You offer they counter. You respond and so it goes. This is why it is so important that before the play begins, you clearly understand the structure of what that "great deal" looks like from both perspectives. But what if there are mutually exclusive components to achieving that "great deal" for both parties? You will have already considered this in your earlier analysis and concluded what give-and-take is required on both sides to arrive at the best possible compromise, something slightly less than a "great deal," now maybe only a "good deal". Furthermore, if your counterpart has not reached this determination beforehand, you can slowly educate them to this conclusion through the bartering process. Knowledge is indeed power. Most importantly, you clearly know when you are approaching the point of no return, that point where you have already concluded in the calm, quiet preceding the storm of collapsing negotiations, when you will walk-away. Thus, you have the opportunity to steer the negotiations away from falling unnecessarily into a lose-lose downward spiral where relationships deteriorate and from which it is often impossible for the parties to recover.

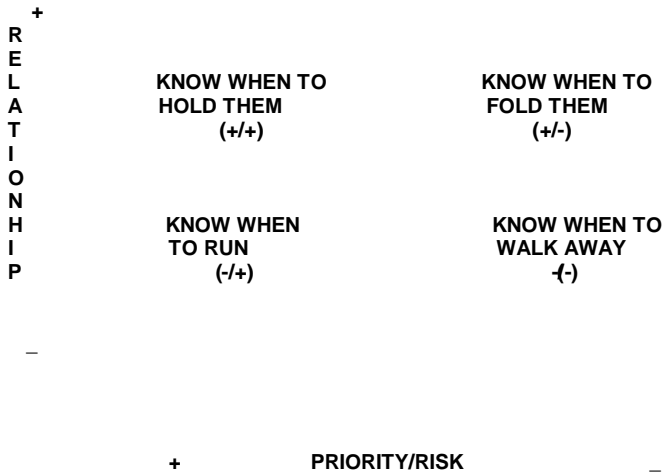
The chart below provides a visual reminder for your negotiating strategy.

Ev'ry gambler knows
That the secret to survivin'
Is knowin' what to throw away
And knowin' what to keep

The "Relationship" +/- characterizes the relationship, as strategically important and mutually beneficial or not.

The "Priority/Risk" +/- indicates the level of current and future priority and risk from high to low for any given issue.

Thus an important relationship(+) with a high priority/risk issue(+) is worth holding out to achieve, whereas the same relationship(+) with a low priority/risk issue(-) is an opportunity to allow the other party to win on the issue.



Now for the song:

You got to know when to hold 'em:

Negotiation requires that you have the patience and confidence to be still. If the other party precipitates a long silence, wait, that's right, just simply w-a-i-t. Let them break the silence. If it is truly a relationship, they will. Remain steadfast, solemn, but not sullen and wait. Hold out firmly for your high priority/risk issues.

Know when to fold 'em:

Holding out for a lost cause is not only against your best interest, but it also makes you appear stubborn and foolish. Know when to give in on a point. If it is not a "walk-away" issue, then concede graciously and negotiate onward.

Know when to walk away:

If the deal cannot be had without violating your prior walk-away decision, then walk away, but just walk. Clearly articulate your position and reasons, then leave courteously, letting the other party know that you mean what you say, but still leaving the door open for them to reopen the discussion after conceding to your walk-away issue(s). Never, never reevaluate your "walk-away" position while sitting at the table. I have seen this done too many times under the guise of "new information", a code phrase for "giving in". If indeed completely new facts have come to light, then take the time to recess, get away, preferably for several days or at a minimum overnight. It is too easy to convince oneself that you should alter your "walk-away" position when you see the negotiation going down in flames. Remember, the whole reason for developing your "walk-away" positions well in advance of the negotiation, was to prevent being pressured into giving up ground on these critical issues an inch at a time. This is an instance where unless the other party

reconsiders, you will be far better served strategically in the future by building a new relationship or finding another way of accomplishing your goal, despite the momentary discomfort. Face the fact today that the relationship is no longer mutually beneficial and move on.

Know when to run:

Run? Yes run, when the other party demonstrates bad faith or a lack of regard for the truth. No business relationship is worth the risk and inevitable pain that results from dealing with dishonorable people and organizations. After all, would you continue playing cards with someone after you learned that they were using a marked deck? **Run**, do not walk and do not leave the door open behind you. Let them know that you have no time or interest in doing business with those who do not understand the meaning of the words TRUTH and INTEGRITY.

You never count your money

When you're sittin' at the table

There'll be time enough for countin'

When the dealin's done

Never talk openly about how much you or your company will profit from the deal and never, never gloat over the terms of the agreement afterward. Both are evidences of bad taste and a severe lack of personal discretion. Also, news like that has a habit of getting around. I have seen successful negotiations sour after the fact, because someone with loose lips later let slip an indiscreet comment, that led the other party to believe they had been taken advantage of or misled. On the positive side, do celebrate the outcome together with the other party at the conclusion of the deal. Go out together to lunch, dinner or whatever. In doing so you celebrate the success of everyone involved and thereby further reinforce the relationship for the future!

Although gambling and negotiating are not the same, we can learn a great deal from Kenny's straight faced poker player.



John Di Frances is an internationally recognized expert on Strategic Business Issues. His professional career spans thirty years of global corporate, nonprofit, academic and government agency experience in senior executive and industry leadership positions. John advises senior executives globally and is a prominent professional speaker. Since 1983 he has served as the Managing Partner of DI FRANCES & ASSOCIATES, LLC.