BREAKTHROUGH BUSINESS NEGOTIATION

THE SUMMARY IN BRIEF

Negotiating is much more complicated than making an offer and fielding a counter-offer. It’s a complex process that can affect the future of individuals and organizations. A “breakthrough negotiator” must analyze, plan, sell, organize and motivate. The best negotiators are also leaders. They bring together a team of players and guide them in all-out battle against the opposition. Top negotiators don’t obtain their skills by accident — they learn from experience and studying the art of negotiating.

In Breakthrough Business Negotiation, Michael Watkins takes you through the negotiation process, from initial preparation to closing the deal. Watkins, an associate professor of business administration at Harvard Business School, provides step-by-step guidance on winning consistently at the negotiating table.

What You’ll Learn In This Summary

✓ The key tasks of a negotiator. Negotiators must diagnose the situation, shape the structure of the proceedings, manage the negotiation process, and assess the results afterward.
✓ Setting the agenda for negotiations. It’s crucial to have an impact early, when the agenda for what will and won’t be negotiated is being set. This establishes boundaries before momentum builds in the wrong direction or irreversible commitments are made.
✓ How to “frame” the negotiation. Framing is accomplished by using argument, analogy and metaphor to define the problem to be solved and the set of potential solutions. Skillful framing reaches the target audience by evoking mental images and emotional reactions that influence their behavior.
✓ Managing the negotiation process. Managing the process is a major element of breakthrough negotiating. Whoever controls the process can powerfully influence the substance and results of negotiations.
✓ Building coalitions for success. To form effective coalitions, you must identify the groups from which you must receive support, then convince them to work on your behalf to help your side win.
The Four Key Tasks Of Negotiators

However complicated a negotiation is, it can be understood by breaking it down into its key parts and actions. Every negotiation has a structure: it involves certain people and issues which produce predictable interactions. More complex negotiation systems can be seen as related sets of negotiations.

On face value, these negotiations have nothing in common. But closer examination shows that they all share an underlying structure: All are negotiations that involve more than two parties and no one holds veto power.

Thorough analysis of a situation and its structure is an essential negotiating skill and a hallmark of breakthrough negotiators.

Breakthrough negotiators never treat the structure of a negotiation as preordained or fixed. In other words, the hand can be played as it is dealt, but it can also be changed.

Skilled negotiators can change the structure by inviting additional parties and transforming two-party negotiations into multi-party negotiations. When negotiating stems from clear-eyed analysis, efforts to shape the structure can have a powerful impact on outcomes.

Process Control Is a Source of Power

Control of process is a potent source of power, one that lets you steer the proceedings toward the outcomes you want. This calls for early attention to designing the process and influencing the agenda well before others even realize the game has begun.

Skilled negotiators understand the importance of framing arguments and approaching people at the right time to win their support.

Great leaders are often great negotiators, and the reverse can also be true. Individual negotiators can make all the difference in the outcome of complex negotiations. This is true when a chief executive officer decides to acquire another company or world leaders negotiate a new international trade regime.

The negotiator has to manage negotiations with the opposition, discussions among his or her own team, and interactions between the two. The best negotiators are never passive go-betweens. They shape the perceptions of those they represent and the perceptions of their counterparts across the table.

These are four tasks negotiators embark on at and away from the table:

- **Diagnosing the situation.** Systematically assess the components of the negotiation and identify potential barriers to agreement.
- **Shaping the structure.** Influence who participates, what the issues are, and what the alternatives are, so you don’t end up playing someone else’s game.
- **Managing the process.** Prepare for and conduct face-to-face interactions to build momentum.
- **Assessing the results.** Set goals and periodically evaluate how you’re doing to adjust your plans and manage the process.

Diagnosing the Situation

The first step in preparing to negotiate from strength is to diagnose the particulars of the situation thoroughly. This means taking a hard-headed look at the seven key structural elements of any negotiation: parties, rules, issues, interests, alternatives, agreements and linkages.

**Parties**

The parties who are participating in the negotiation

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Diagnosing the Situation
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may seem evident. Sometimes, however, other parties are already involved, or may become involved. Or you may want to bring in other parties yourself. When diagnosing a negotiation, make sure you identify all the players and potential players. Also look for existing and potential coalitions — allies of the parties who may influence the negotiation.

Rules
What are the rules of the game? All negotiations are influenced by formal or informal rules. These include laws and regulations, social conventions and professional codes of conduct.

Issues
Don’t take the agenda — the set of issues that the parties decide to negotiate — for granted. Remember that the agenda itself is subject to negotiation. When diagnosing a negotiation be sure to: identify the full set of issues (including issues that are beneath the surface); unbundle the issues (different issues often get intertwined when they should actually be negotiated separately); determine whether relationships are an issue (there’s a world of difference between negotiating a deal and negotiating a dispute); and identify and deal with toxic issues.

Interests
What are the goals that you and others are pursuing? You can create value in the negotiations for everyone if you: seek out shared interests, propose mutually beneficial trades, and secure insecure contracts. This latter step is important. If the parties don’t completely trust each other, they must find ways to minimize their vulnerability so that the negotiation is not impeded.

Alternatives
What if you can’t reach an agreement? Then look for what is known in negotiation as your BATNA (best alternative to a negotiated agreement). A BATNA needs to be built. For example, if before you start to negotiate for a promotion you’ve secured an offer from another employer, that offer is a strong BATNA. Developing a BATNA is also key in identifying your walk-away position.

Agreements
Are there agreements that would benefit both sides? You won’t know for sure until you start the negotiations, but at this stage you should at least try to discern the bargaining range for both parties. The bargaining range depends on the walk-aways. If you refuse to accept less than a 3 percent raise, and your boss refuses to give you more than 5 percent, then the bargaining range is between a 3 percent and a 5 percent raise. However, if you refuse to accept less than 5 percent, and your boss refuses to give you more than 3 percent, then there is no bargaining range, and no possibility of agreement.

Keep in mind that not all negotiations are win-lose. The parties may be able to create value. Find ways through mutually beneficial trades to enlarge the pie for everyone.

Linkages
The issue here is to decide whether your current negotiations are linked to other negotiations. Stand-alone negotiations are surprisingly rare. Even the relatively simple negotiation for a raise may involve other negotiations. For example, you may be negotiating for jobs in other companies. Your boss may be negotiating with other employees in other departments who also want a pay hike. These other negotiations will impact the resolution of your negotiation for a raise.

Identifying Barriers and Opportunities
Once you have thoroughly diagnosed the situation, you will be able to put together a table that identifies the barriers and the opportunities with each element. Armed with this information, you are in a much better position to start the negotiation.

Shaping the Structure
A potent way to shape the game is to influence who plays. One method of doing this is to invite other players into the negotiation. Another way is to try to exclude parties. And sometimes it is advantageous to try to prevent parties from participating or to remove them from the game. There are questions to ask about shaping the structure:

- Would it make sense to bring in a mediator?
- Are there parties involved that you might be able to

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Shaping the Structure
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exclude?
● If there are too many parties, can you convince some to allow themselves to be represented by others?

Setting the Agenda

It is crucial to have an impact early, when the agenda for what will and won’t be negotiated is being set. This establishes boundaries before momentum builds in the wrong direction, or irreversible commitments are made, or too much time passes. Breakthrough negotiators don’t view the agenda as fixed, but as something that can be shaped.

Skilled negotiators discuss the agenda early on, trying to define nonnegotiable issues and set preconditions before negotiating the main points.

Setting the agenda sometimes involves postponing “toxic” issues or removing them from consideration.

Framing and Reframing

Framing is using argument, analogy and metaphor to define the problem to be solved and the set of potential solutions. Skillful framing reaches the target audience by evoking mental images and emotional reactions that influence their behavior. Efforts to frame (or reframe) often involve coordinated actions at the negotiating table (by means of argument) and away from the table (through use of the media).

Negotiators often compete in a “frame game” in which they try to define the dominant frame for the negotiation.

Framing tactics work because people’s thoughts on what is at stake tend to form clearly only when they are forced to make choices. Reframing is necessary when the existing frame has become a barrier to agreement. It can also give your counterparts ways to back away gracefully from poorly chosen positions.

Controlling Information

Power comes to those who control other parties’ access to information. Information-control techniques are especially potent when you have private access to valuable information and when negotiations involve multiple parties and shared decision-making.

Information control relies on several techniques:
● Sharing information selectively. Privately held information can be used as a tool to shape the beliefs and attitudes of other parties. This type of information control involves withholding information, releasing information at predetermined times, and communicating information to selected audiences.
● Influencing patterns of communication. Another form of information control involves encouraging or discouraging communication among other parties in the negotiation. Meeting with potential allies can help build a coalition.

Managing the Process

Managing the process is the third major element of the breakthrough negotiation framework. Whoever controls the process can powerfully influence the substance and results of negotiations.

Negotiators are often driven by inner psychological needs or motivations. When assessing your counterparts’ motivations (and your own), you should think about these needs in terms of which are dominant and how they will affect your efforts to manage the process:
● Maintaining control. To feel competent, do your counterparts need to feel in control of the process and not controlled by others?
● Exercising power. Do they need to dominate their counterparts, and perhaps show others that they are doing so?
● Preserving reputation. Are they preoccupied with maintaining a reputation as effective or tough negotiators?
● Being consistent. Do they care about staying consistent with prior commitments or statements of principle?
● Maintaining relationships. Do they care about preserving relationships and being liked?

Negotiators approach the table with outcomes in mind. These outcomes typically take two forms: “red lines” that cannot be crossed without creating psychological havoc, and results that would achieve their goals.

The opponent’s commitment to its goals matters, too. Negotiators who set their sights high tend to do better than those with lower aspirations. But unrealistic expectations can be a barrier to agreement.

Emotions, real and feigned, enter into most negotiations. A timely display of anger, for example, can demonstrate resolve as long as it is employed infrequently. By the same token, escalating disagreements and the emotions they provoke can prevent productive interaction.

Planning Strategy

The goal of examining the negotiation process at these three different stages of resolution is to equip you to manage at-the-table interactions more productively. If agreement is your objective, the basic goals at the table are twofold: to learn about your counterpart’s interests, alternatives and bottom lines; and to shape your counterpart’s perceptions of what is attainable.

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Questions About Diagnosing the Situation
- Do you have a clear view of the situation? A clear view of the situation is the bedrock on which you build your strategies and tactics. If your take on the situation is flawed or incomplete, you are likely to be blindsided or to underperform.
- Have you been efficient and effective in your learning? The more thoroughly you diagnose a negotiating situation, the more prepared you will be. But trade-offs are unavoidable, and you’ll have to deal with limits in resources and information.

Questions About Shaping the Structure
- Are you involved with the right people? An excellent agreement with the wrong people can be less valuable than a good agreement with the right people. Are you dealing with people who can offer you the best opportunities to create and claim value?
- Are you shaping the issue agenda? Focusing on the right set of issues enhances your ability to create value and claim it. Ask yourself now and then if there are issues you could add to the agenda that would expand your opportunities.
- Are you winning the frame game? Your goal in framing is to persuade your counterparts to accept your definition of “the problem” and “the options.” In other words, you must find a way to give the situation face value and credibility with the target audience. Have you accomplished this?

Questions About Managing the Process
- Are you moving the process through the right phases? You must discipline yourself to step back and ask: Have I reached agreement with the other side about how the process should be restructured? Are the phases I’d like to go through likely to build momentum?
- Are you crafting sustainable agreements? You can negotiate with the right people and do a good job of creating and claiming value and still fail. Crafting sustainable agreements means anticipating and dealing with unforeseen changes.
- Are you upholding your ethical standards? “Negotiation ethics” might strike some people as a contradiction in terms. But negotiators have to live with the consequences of their actions, and failure to adhere to your core beliefs is destructive. Step back occasionally and make sure you are not sacrificing your standards in the heat of battle.
- Are you learning, both individually and organizationally? Every negotiation is an opportunity to learn. But learning only happens if you invest in capturing the lessons of experience. Ask yourself, “What went well?” and “What should I do differently next time?”

Assessing the Results
Once a negotiation is under way, you should step back periodically to evaluate how it is going. A natural point to step back is between negotiating sessions, but it can (and should) also be done in the heat of battle. Part of appraising an ongoing negotiation is deciding whether you are meeting the specific goals you set for yourself.

This article lists a sample of the questions that you should ask yourself as you step back to assess your efforts.

Managing the Process
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Shaping Perceptions
The arsenal that negotiators use to shape their counterparts’ perceptions at the table includes the following classic persuasion techniques:
- Anchoring. Your initial stance strongly influences the other side’s perception of the bargaining range. An offer that is high (or low) but not so extreme that it triggers dismissal of the offer can give your counterparts a favorable first impression.
- Threats. Threats are promises to do harm that are used to shape others’ perceptions of what will happen if no agreement is reached. Threats have to be credible to be effective. Even if credible, they can cause irrational resistance.
- Warnings. Warnings are milder than threats and less likely to trigger resistance. Instead of saying, “If you do that, I will punish you,” a warning says, “If you do that, bad things (not caused by me) will happen to you.”
- Commitments. Commitments are self-imposed costs. Negotiators commit to a course of action (perhaps by putting their reputations at stake) to convince their counterparts that they have no other option. Over-committed negotiators stand firm long after it is clear that their objectives are unachievable.
- Action-forcing events. Deadlines, meetings and other key events can be established to move the process forward.

Allowing the River to Flow
Managing the flow of negotiations is like influencing the flow of a river. You can try to advance your interests by restricting the flow in places, releasing it in others, and channeling it in desired directions. The flow toward agreement can be dammed by creating impasses on purpose; tensions can be released by proposing a new solution or face-saving compromise. In the process, the patient, creative negotiator might be able to create and claim substantial value.

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Overcoming Power Imbalances

The following principles provide ways that smaller players can shape the structure and manage the process when facing an opponent of greater size or power.

● **Principal 1: Never do all-or-nothing deals.** The biggest mistake a small player can make is to enter into a single make-or-break negotiation with a larger partner. Doing so just reinforces the larger party’s perception of its own strength and inevitably leads to poor deals.

This is why it is essential for weaker players to shape the structure so that everything is not riding on a single negotiation. A primary objective is to diversify partner risk so that the larger party cannot exert monopoly power over you.

● **Principal 2: Make them smaller.** Do not treat a larger partner as a single unified entity. The notion of big-company-as-powerful-monolith fails to recognize that large companies are made up of smaller units led by people with their own incentives and interests. This is increasingly true given large companies’ tendency to decentralize responsibility and accountability.

The smaller player should negotiate with part of the larger organization rather than the whole thing. This means finding individuals and units within the larger company that are interested in what you have to offer.

● **Principal 3: Make yourself bigger.** There is strength in numbers. A smaller player dealing with a larger one should build coalitions to fortify its bargaining power. An effective coalition can be built with one or a few large players or many smaller players. It is essential to diagnose the situation carefully, identify promising allies, and build alliances with them. The larger player must see that you, in conjunction with your allies, are a force to be reckoned with.

● **Principal 4: Build momentum through a sequence of deals.** Negotiating the right deals early makes it easier to negotiate subsequent deals at better terms. But early deals with the wrong partners can make everything that follows an uphill battle.

● **Principal 5: Harness the power of competition.** Spreading the word that you might do a deal with someone else sets the stage for judicious use of competition in negotiating the terms of deals.

● **Principal 6: Constrain yourself.** By entering into binding prior agreements, smaller negotiators can buttress their bargaining power with larger counterparts.

● **Principal 7: Hold the informational high ground.** The right information, processed and organized for easy access, is a potent source of strength in negotiations with larger counterparts. Negotiation positions are built on supporting arguments: You have to build a solid foundation of fact to support your position while you attempt to knock supporting pillars out from under the other side. It is essential to be better prepared than the larger player and gain and hold the informational high ground.

● **Principal 8: Take control of the process.** Articulating the reasons that both parties came to the table in the first place establishes a sense of momentum. Flesh out the offer thoroughly and work out the basic

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structure of the deal before raising the subject of money.
● Principal 9: Negotiate with implementation in mind. Try not to burn your bridges, and try to preserve the strength of your alternatives in case serious problems arise during implementation.
● Principle 10: Build superior organizational capabilities. It is essential to forge relationships with skilled external advisers, such as lawyers and investment bankers.

These are the conditions needed for success, but they are not sufficient in and of themselves. You must be organized to learn rapidly as you do more deals with large players. Fast learning is a valuable advantage for small players: If you can learn from past negotiations, capture the resulting insights, and share those insights among yourselves, you will increase your negotiating effectiveness.

Building Coalitions
In building effective coalitions, the first step is to identify the groups from which you must receive support. Such groups typically include:
● Organizational units of employees bound together by shared training and expertise or by shared tasks and supervision.
● Identity groups bound by occupation, age, gender, race or social class that protect shared interests and promote mutual solidarity.
● Power coalitions of people who have banded together to advance or protect shared interests, but who might not otherwise interact with each other.

Identifying Supporters, Opponents And ‘Persuadables’

Some people will endorse the leader’s agenda right away because it advances their own interests. But enlisting people as supporters does not mean you can take them for granted. It is never enough simply to elicit support: You have to maintain it.

People facing tough decisions can become tense as opposing forces push them in conflicting directions. The source of tension might be internal conflicts or social pressures, such as other stressful commitments or worry about what respected people will think. Ultimately, a person decides that the benefits of supporting one path outweigh the costs of renouncing others.

You can deepen your analysis by assessing the driving and restraining forces at work on people you may influence. Driving forces push people in the direction you desire; restraining forces push them elsewhere. The goal is to strengthen the driving forces or weaken the restraining forces, or both.

Using Social Influence

People rarely make important choices independently; most are influenced by colleagues, friends and key advisers. If a highly respected person already supports an initiative, others are more likely to support it, too. Convincing opinion leaders to lend support and mobilize their own networks has a powerful leveraging effect.

If important people cannot be convinced to support your position, it might be necessary to engage them in a “this-for-that” negotiation in which you agree to support initiatives they care about in exchange for their support of yours. To succeed, you must understand the full set of interests at stake — which might include reputation and prestige as well as tangible needs — and craft a suitable trade.

Matching the Medium to the Message

Decisions about how to communicate a message should not be made lightly. Leaders have at their disposal a variety of forums and media, including speeches, small-group meetings, town meetings, newsletters, memos, interactive videoconferences, videotapes and Web pages. News is nearly always best delivered in an interactive forum, such as a meeting at which people can ask questions, but complex technical and data-intensive arguments are best conveyed in written form.

Managing Conflict

The starting point for managing conflict is understanding the difference between a simple dispute and a self-sustaining conflict system.

The Phases of a Simple Dispute

Simple disputes move through these distinct phases:

Escalation. Escalation is a vicious cycle of provocation, reprisal and counter-reprisal that ratchets up hostility between the parties. This scenario typically begins with a provocative action by one party that leaves the other party feeling insulted or injured. The injured party’s response is likely to be disproportionate, causing more damage than the triggering action.

De-Escalation. Few disputes escalate completely out of control. Instead, something usually happens that promotes de-escalation. In some instances, the parties take another look at the situation and back away from further provocative actions; in other cases, interested outside...
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The parties may reach a settlement. The parties may reach a stalemate and realize that no one can win by using contentious tactics. This situation can force them to the negotiating table in pursuit of a settlement.

But some conflicts do not get resolved. Once sparked, they evolve into bitter, ongoing battles among parties who have no choice but to continue to interact. This happens when some or all of the parties take actions that cause irreversible hostility. In such situations, the goal is conflict management, not dispute resolution.

Third-Party Intervention

Third-party intervenors can play constructive roles in disputes and sustained conflicts. To understand the roles intervenors play, it is important to learn why third parties intervene in conflicts and identify the sources of their power. Outside parties often intervene in conflicts because they are invited in, but even seemingly impartial mediators might be pursuing personal or institutional goals, such as enhanced reputation.

Momentum-Building Processes

When your goal is to build momentum by rescuing a conflict-racked negotiation, the design of the process merits a fresh, objective look. Circumstances determine whether it makes sense to conduct a shuttle or a summit, a multi-phase agreement, or secret back-channel diplomacy.

Shuttles and Summits. Shuttles and summits bring totally different dynamics to building momentum in negotiations, but they are sometimes used at different stages of the same conflict.

For example, if the parties cannot meet because of geographical or political constraints, a shuttle serves as a bridge for effective communication. When the parties still lack a common definition of the problem or do not realize the consequences of not reaching agreement, a shuttle can nudge them toward a common definition of the problem and the options before them.

A summit is a meeting of all parties often conducted in public. Summits give the parties opportunities to learn about their relationships in terms of power and preferences. Concessions made at private meetings are more easily withdrawn than concessions made at a public summit.

Multi-Phase Agreements. Multi-phase agreements follow an important logic: The parties negotiate sets of relatively easy issues first, implement agreement on those, then move on to tougher issues. In one common form of multi-phase agreement, the parties first negotiate the guiding principles for a mutually acceptable settlement. These principles serve as a basis for negotiating more specific agreements and more divisive issues.

Secret Diplomacy. Leaders sometimes choose to craft an agreement using secret or back-channel diplomacy and then present it to their constituencies as a done deal. Secrecy transforms a two-level (internal-external) negotiation into a simpler unified process, delaying internal negotiations and removing opposition.

Secrecy also insulates the parties from media attention so they can forget about public appearances and concentrate on substantive issues. The goal of secret diplomacy is to create and sustain a supportive coalition.

Leading Negotiations

When a negotiator represents the interests of others, those who are absent from the table could be principals with decision-making power or constituencies who expect the representative to lead them.

Whatever the scenario is, the negotiator functions as a bridge between internal decision-making and external negotiations. When negotiators shape their demands, have a clear vision of what they want to achieve, and work to shape perceptions internally and externally, they can effectively advance their side’s interests — and their own.

Orchestrating Teams

Representation is about negotiating on behalf of others; leading teams is about negotiating in concert with others.

Teams are valuable because they bring together people with varied expertise. The full cast of participants in an acquisition, including external advisors, can be very large. The goal is to identify and obtain interest from attractive potential partners. The trick is to assemble a critical mass of expertise without creating too large a team: The larger the team, the more difficult and expensive it is to coordinate.

To function effectively, a negotiating team needs a clear-cut lead negotiator. You can also assign distinct roles and responsibilities to team members, such as observation of the other side or note-taking. As lead negotiator, you can conserve energy by shifting the burden of talking to another member of your team now and then.