

STEVE GATES

THE NEGOTIATION BOOK



YOUR DEFINITIVE GUIDE
TO SUCCESSFUL NEGOTIATING

3RD EDITION

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Third Edition

Steve Gates



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About the Author



Steve Gates is the founder and Chairman of The Gap Partnership, the world's leading negotiation consultancy. Since 1997, Steve has consulted with and supported global corporations from all business sectors facing the challenges of optimizing value from their many and varied negotiations. His interest in economics, capitalism, and business psychology continues to inspire his innovative flair and passion for greater insights into the art and science of negotiation. His home remains in the Hampshire, United Kingdom.

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I would like to thank an exceptional team of negotiators from across The Gap Partnership with whom I have shared so many experiences and drawn so much inspiration. They have committed their lives to pushing negotiation capability and practice to a new level, which inspired me to write this account of the Complete Skilled Negotiator. *The Negotiation Book* is a philosophy based on the human challenges of negotiating today, which they have all helped to build. Every day this serves to inspire our clients around the world.

Preface — Context and relevance

I thought I would find you here. But why here? Why now? Well, if you want to save the world, you are going to have to negotiate with someone. If you want to be a millionaire or even a billionaire, you are going to have to negotiate with a lot of people. If you want to stay in a relationship, there will be times when you will need to concede or even capitulate so negotiation will definitely come into play. Do you want a pay rise? Do you want to start a business? Do you want to optimize an enterprise? Do you want to stay married, even get married?! Guess what?

Yes, negotiation is fundamental to your life and those around you. The way you distribute, create, protect, resolve, and manage anything of value and every minute you invest in you, becoming a better negotiator will pay back, throughout your life. It's an activity that many avoid at all costs. The prospect of perceived conflict of positions or interests and the discomfort that come from it is hardly appealing as a "fun pass time." My passion for this skill remains because it is central to the viability of every business, your business. Negotiated agreements go beyond viability or profitability. The way you identify and engage with the opportunities to negotiate can set the culture for how your business does business, contracts with others, and defines the types of client or supplier relationships you have. It has delivered peace in war, resolved bedtime tantrums with our children, helped avoid millions of court cases, and has probably helped save a few

marriages along the way too. It can deliver immeasurable benefits, although we always like to measure them, for you or those you represent, your family, your business, your charity, and yourself. So yes, it's worth the effort. In the end, the outcomes determine viability or insolvency, profit-making or loss, growth or decline, certainty or ambiguity, fear or confidence.

If you buy or sell services, products, ingredients, components, platforms, solutions, licenses, accommodations, consumables, or raw materials you can and should negotiate your agreements.

Great negotiators often go unnoticed. So if you want recognition or gratification, it is not the place for you. Negotiators are not interested in winning or glory, which can be rather challenging when you, as I, have an ego that from time to time needs satisfying. It requires a state of mind, a patience, a tenacity that is motivated by curiosity rather than competitiveness, that simply wants to optimize value and opportunity.

As a great negotiator you recognize that the return on time invested is dramatic, perhaps in relationships, time saved, risk reduced, profit made, or even dilemmas resolved. No other skill offers so much value in return for competent performance. But it can take time in planning, preparation, and alignment with others. It takes patience in that nothing is agreed until everything is agreed and there may be lots to agree or negotiate around. In other words, it may not be quick, is rarely easy, and is often stressful. Are you still in?

The most valuable resource on this earth is your mind. My aim here is to help you make the most of life through the agreements you reach. For this to happen we need to open your mind to what really goes on in negotiation and how you can navigate the array of opportunities you will face.

So, why a third edition and what could have possibly changed when not much has changed about negotiation in the past 5000 years or so? The answer is: A lot. The acceleration of change and disruption on a global scale has meant that if this account of negotiation is to provide you with a way of negotiating, it should be relevant and provided with context. I dedicate this version of *The Negotiation Book* to the concept of CHANGE. Wherever there is change, there is a need to negotiate or re-negotiate, and

in your life, where you finish up with your agreements will either move you on or hold you back.

The desire for convenience and instant gratification driven by 24/7 media and apps that will deliver you just about any service, are conditioning us to expect events to be quick and convenient. The world is moving faster fueled by technology and innovations. Time in negotiation has always been important but given the prevalence of change and the implication of time, I have dedicated a whole new chapter to Time and its central psychological influence on all negotiations.

Working practices have changed involving more remote, virtual negotiations being conducted. The 2020s is an environment presenting new dynamics to relationships, trust, accessibility, opportunity, and vulnerabilities. Therefore, I have dedicated Chapter 2, “Virtual Negotiations” as the attributes of The Complete Skilled Negotiator are not restricted to the meeting room.

So, why this third edition? Think back only six or seven years. In that time, social media has accelerated to become the primary marketing platform used from multi-national corporations to one-person start-up businesses. We now live in a world in which a small group of influencers can make or break your brand. A world where big tech is as influential in supporting or restricting social attitudes as are governments. Social pressure groups have literally changed political priorities and social values in the west resulting in equality, diversity, mental health issues, and well-being agendas, which have accelerated in certain parts of the world. So, the media has changed, communication has changed, as a result, personal relationships have become weaker, and trust as a glue for negotiation is challenged. Yet in many areas, dependencies have grown stronger as the world of “subscription-based relationships” serves to fuel the multiple value placed on many businesses.

There is massive momentum from globalization to nationalization or at least the deceleration of globalization affecting workforces, logistics, and supply chains leading to inflationary pressures and ultimately, the increase in the cost of money.

A global pandemic, which has challenged working practices; virtual communication involving Zoom, Teams, Google; and dozens of others. Zoom had over 300 million meeting participants per day in 2020 (Source: Business of apps). Google Meet had over 100 million daily meeting participants in 2020 (Source: TheVerge). Microsoft Teams had 75 million active daily users in 2020 (Source: Windows Central Flexible).

We have enjoyed over the past 10 years in the west ultra-low interest rates, cheap money, trillions of dollars, euros, and pounds being printed as part of government quantitative easing programs resulting in a surge in stock values followed by inflation, lower growth, and a different backdrop against which to conduct business.

The emergence of Crypto currencies adds a further challenge to governments and banks around how to protect the integrity of the global banking system.

We have witnessed the acceleration of sustainability as a corporate priority. Global warming has now grown into a priority for how people lead their lives to how organizations deliver on their carbon neutral commitments to the growth in recycling, energy generation, and electric EV motors.

We have started to witness the material implications of efficiency through robotics and AI technology. So much change in the world and at such a pace further highlights a one-size-fits-all-way of negotiating that cannot work. We have even experienced war in Europe that has had a direct impact on economies, politics, and food and energy prices, which in turn has resulted in the need for even more negotiations with new partners.

None of these challenges, priorities, or innovations can be delivered without the alignment of interests of those who can make them happen. In other words, none will happen without building agreements to change, commitments, and action. The things which we thought were important before may have changed, the way you negotiate and with whom you negotiate may have changed at a pace never before experienced. So, it's time to reassess what it will mean for you and how I can help you become the Complete Skilled Negotiator in "today's world."

Of course, we still need homes, schools, cars, roads, planes, airports, ships, TVs, computers, and millions of other physical objects. Every industry continues to make the things we need to keep our communities operating. It is the working practices, the flexibility, the risks, the software, the financing, and the partnerships which are changing and are bringing with them the need to incorporate more complex ways of managing relationships and negotiations.

I've taken a fresh look at some of these agreements and how you can gain commitments to better deals. Technology is changing what is possible, what is expected, and what is traded, which is providing a new mix of variables featured in all types of agreements. Following the pandemic, even more negotiations are being conducted through multiple forms of communication. Virtual negotiations are becoming more common than face-to-face. With it, there are implications around time, trust, and the ability to negotiate collaboratively.

In this edition I have set out to challenge you with an insight into negotiation from a practitioner's perspective. It cannot be prescriptive because negotiations are by nature dynamic. I will help you to acquire better deals by being aware of what negotiating different deals involves and what it will do to you. Yes, do to you, and if you are not aware of this, you cannot begin to be prepared for your next negotiation. It is you who are responsible for making decisions based on your own judgment.

Any value you may take from reading this book will come from your motivation to change. For change to happen, you have to be open to your own awareness. Self-awareness into your own make up, preferences, discriminations, past experience. The percentage of time you spend actually negotiating is minimal within the context of your whole life, and yet the consequences of your performance during negotiations will often distinguish how successful you are in life and in business.

The art and science of negotiation is an interactivity that is influenced by culture, ever-changing circumstances, expectation, relativity, capability, and personal chemistry. The Complete Skilled Negotiator is an individual who has both the skills and mindset to do that which is appropriate to

their circumstances and the ability to maximize opportunity during each and every negotiation.

The abilities of a Complete Skilled Negotiator, however, remain the same. Balanced in thinking, ego in check, and a focus on understanding the interests and priorities of the other party. In your chaotic world with multiple priorities, how can you possibly have the capacity to behave in a chameleon-like approach? How can I even start to suggest that you need to be what you need to be depending on your circumstances, and that you should not be burdened by personal values that wear away at your consciousness?

You can't just advocate reading situations better, taking more time to prepare, and developing the capacity to think around issues, as well as dealing with the relationship dynamics all at the same time. And then focus on the potential of the deal rather than trying to win, understanding that being competitive will only serve to attract friction, which is generally counterproductive (unless used for a specific purpose). That's six different things I have to work at and do all at once, and I haven't even got past the preface yet!

In this 3rd edition, I seek to simplify. If you can improve just one thing from each chapter of this book about the way you negotiate, it will improve your outcomes.

It can be the most rewarding of skills to exercise and the most nerve-racking. Is it any wonder that to provide a common way of negotiating that helps everyone to negotiate more effectively has in the past proved such a challenge to so many? Yet simple disciplines, proactive planning, and a clear, conscious state of mind can provide a significant uplift in what you can achieve. I am going to help you to get better deals by first keeping it simple and realistic. One step at a time, and you will see the difference.

The Negotiation Book covers the traits and behaviors associated with the Complete Skilled Negotiator. I use the word complete rather than successful because who are we to judge if your performances are as successful as they might be? We will never know. In our time of rapidly-changing

circumstances and measurement of success by *relativity*, it can prove hard to objectively measure if your negotiation has been ultimately successful.

I am going to refer to a clock face model that provides a way of differentiating the range of ways we negotiate in a dynamic, capitalist market. The model is there to help differentiate how power, process, and behavior have much to do with the way a negotiation take place and why and how you can move the climate, process, and scope for optimizing value. The clockface is not here to restrict but to empower you as a Complete Skilled Negotiator to negotiate that which is possible . . . given those opportunities you are presented with or those you create.

The experience I have gained from practical hands-on involvement in having negotiated with some of the largest corporations on the planet, including P&G, Walmart, Morgan Stanley, Nestle, Unilever, and Vodafone, has helped me to provide this account of what it takes to negotiate effectively. I have also been privileged to work with dozens of highly skilled negotiation practitioners at The Gap Partnership who have negotiated with, advised, and developed hundreds of such organizations globally. It is this experience that has helped us to crystallize what it takes to be a Complete Skilled Negotiator.

I am about to share with you a way of thinking, behaving, and performing. Adopting this approach is ultimately down to you. If you want to be comfortable, that's fine. Negotiation is not. If you want to improve your life, sometimes you have to endure the stress that comes with trying something different and finding yourself in less familiar and less certain circumstances. There is no magic formula or magic wand, but there are principles that you may or may not choose to adopt. The choice will be yours, as will the results.

Sometimes you will need to secure agreements with others who may not always see the world the way you do. This book is about you concluding more agreements and gaining more value from each agreement you're involved in. Understanding what to do, working out when to do it and, most importantly, providing you with the inspiration to do it if you want to . . . enough! Let's start.

CHAPTER 1

So You Think You Can Negotiate?

“It is what we know already that often prevents us from learning.”

— Claude Bernard

SO WHAT IS NEGOTIATION?

So, you think you can negotiate? Most people do, to a point. Negotiation is a necessity, a process, and an art. It's necessary because life is not fair, and you have to engage in agreements throughout life that take care of your interests even when it requires you to look after their interests. We are living with a backdrop of social media that has promoted transparency, everyone's right to a view, pressure groups, comparison groups, often in the name of fairness.

Negotiation evokes complex feelings that many seek to avoid and yet it is fundamental to how agreements are accomplished and take place millions of times a day around the world. The perception in western culture that negotiation involves conflict means that many will seek to avoid or simply capitulate rather than engage in the process. If you can take control of yourself, your values, prejudices, your need for fairness, and your ego, you may begin to realize better outcomes in your negotiations. The biggest challenge here is not in educating you in how to be a better negotiator but motivating you to change the way you think about negotiations and

yourself. Of the many thousands of negotiation workshops I have provided at The Gap Partnership, the greatest change I see clients make is that of self-awareness. Learning about how to negotiate is an exercise in self-awareness because understanding yourself and what effect a negotiation will have on you, enables you to accommodate the pressures, dilemmas, and stresses that go with it. Self-awareness helps us to recognize why we do the things we do and the effects they have on our results. It will also help you to adapt your approach and your behavior to suit each negotiation rather than trying to make one approach fit every situation, simply because it suits your personal style.

Why bother negotiating?

Just because everything is negotiable doesn't mean that everything has to be negotiated. The value of your time versus the potential benefit that can be achieved by negotiating is always a consideration. Why spend ten minutes negotiating over the price of a \$10 notebook when you normally make \$100 an hour? So you may save \$2 – that's 20 cents a minute! However, if it is your next car and a 5 percent saving could equate to \$1,500, the time is probably worth investing.

There will be situations involving more important decisions where you are mutually dependent and yet hold different views. When an agreement needs working through, effective negotiation can help provide not only a solution but potentially a solution that both of you are motivated to carry through.

Volume threshold

This relates to a minimum order required for other benefits to be realized. The order may need to exceed a volume threshold of 1,000 before discount levels become applicable.

There is no other skill set that can have such an immediate and measurable level of impact on your bottom line and your life than negotiation. A small adjustment to the payment terms, the specification, the **volume threshold**, or even the delivery date, will all impact the value or profitability of the agreement. Understanding the effects of these moves, and the values they represent to you from the outset, is why

planning is fundamental to effective negotiation. The skill in building enhanced agreements through trading off against different interests, values, and priorities is negotiation. In the business context, it is known as the skill of profit maximization.

So, effective negotiation provides the opportunity to build or dissolve value – but what does value *really* mean? It can be too easy and is too often a focus on price or money. The question of “how much?” is one, transparent, measurable issue and because of this, is also the most contentious issue in the majority of negotiations.

Yet price is but *one variable* you can negotiate over. It is possible to get a great price and feel as though you have won and yet get a poor deal at the same time. For example, because the item did not arrive on time, or it fell apart after being used twice, or you could not return it, and so on. (Ever heard the saying “you get what you pay for”?)

In negotiation, your ego and your competitiveness might fuel the need to “win,” especially where you allow a sense of competition to become involved or become agitated by their irrational demands. However, negotiating agreements is not about competing or winning; it is about securing the best value, the best deal for you. This means understanding:

Variable

This can be a price or any term or condition that needs to be agreed upon.

- what the other person or party wants, needs or believes,
- their circumstances, options and timings,
- how that affects the possibilities.

As a Complete Skilled Negotiator your focus needs to be on what is important to the other party: *their* interests, priorities, options, if any, their deadlines, and their **perception of what is important** — all of which may change over time. Try to see the deal as they see it. If you set out, and by that, I mean plan to understand them and their motivations, you can use your understanding to your

Pressure points

Pressure points are things, time or circumstances, which influence the other party's position of power.

advantage and, ultimately, work out how to increase the value of the deal for yourself. Being driven to beat the other party will distract you from your main objective, which is usually to maximize value from the agreement.

Proactivity and control

Your first task is to be proactive – to be able to take control of the way you negotiate. The primary reason for suboptimal agreements is when your ego will tell you that you can “wing it” and it will be OK. So, map out each of the issues that will most likely feature in your negotiation or at least those that you are aware of to start with. It sounds obvious but try to be honest with yourself when deciding or agreeing on what these are. Remember, *price is only one element of the deal*, and winning on price may not result in you attracting the best deal. The single thing that matters is the **total value** over the lifetime of your agreement.

Becoming comfortable with being uncomfortable

The person on the other side of the negotiating table, phone, or screen may well take a tough position, which could make you feel challenged or even competitive. Human beings are often irrational, so you need to get used to ridiculous opening positions being tabled. Becoming *more* comfortable with being uncomfortable in situations like this, where you are also likely to experience pressure and tension is one of the most important prerequisites of a skilled negotiator. Without this, our ability to think and perform will become compromised. So you need to recognize that by negotiating, you are involved in a process, and the people you negotiate will need time to adjust as part of engaging in this process. Typically this is when:

- any new risks, obligations, conditions, or consequences are presented; and
- you make any new proposals that materially change the shape or perceived value of the agreement.

UNDERSTANDING WHAT IS IMPORTANT TO THEM

Drieser, a French manufacturer of electric motors designed specifically for opening and closing entry gates was owned and managed by Jean Luke who had built up a reputation for reliability and longevity (10-year guarantee) both in the domestic and industrial markets across Europe. Although his business was well diversified, his top three clients made up 40 percent of his orders equating to 2,800 motors a year. Carefully packaged and guaranteed next day delivery on any order ensured Drieser remained competitive. High quality and quick was what Drieser traded on and had done so successfully for 15 years.

Jean Luke managed to secure a meeting with AGP, a major installer of factory gates that offered the prospect of an order of 1,000 units a year. It appeared that they were keen to sign a new supplier, and he was one of three potential partners that they might choose to work with. He forwarded a link to his website, which presented in 3D images of each of the six electric motors in his range. Later that week, he travelled to Lyon and proudly presented his range of motors to a team of three buyers. The questions asked by AGP were "What is your sustainability strategy? How do you plan to reduce your packaging? Have you considered partnering with your customers' logistics to reduce transport?" These appeared to be the most important considerations of the buyers! Fifteen years of selling quality and speed appeared to no longer "tick the boxes" certainly of this buying group. Jean Luke did not have the answers other than "anything is possible" so retreated to his factory and set about revisiting his logistics and packaging arrangements. AGP had publicly set out to its investors that becoming a carbon net zero company was a primary objective. This was part of the reason they were in the process of reviewing their supplier base. Had Jean Luke identified this, he may

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(Continued)

well have pitched his proposition differently and in reflecting on his assumptions adapted his own working practices proactively for his other customers. It was a lost opportunity. More research and preparation into what was important to AGP may have helped his pitch or even provided a basis for negotiation. The world was changing and Jean Luke had to get his head around this fact quickly.

In business meetings, people can become frustrated, emotional, and upset if they feel that you are not listening to their needs or are being irrational or unfair with your proposals. Some will even walk away before considering the consequences. So, understanding their interests and having an agenda, which reflects both parties' needs helps to promote collaboration.

The more experienced the negotiator you are working with, the less chance you will have of a deadlocked conversation. They are more likely to understand that they are engaged in a process and that nothing is agreed until everything is agreed. In fact, their experience can result in you attracting a better deal than when you negotiate with an untrained negotiator. Many of my clients insist that their suppliers attend the same training in negotiation as they do as part of ensuring that both parties work towards maximizing total value rather than becoming distracted by short-term gains or trying to "win".

THE NEED FOR SATISFACTION

Everyone likes to secure a bargain; the law of relativity: to buy something at a better price than was available before. You only have to visit department stores on December 27th to witness the effect that securing a bargain can have on people's behavior. Such can be the frenzy that it is not unknown for violence to be used where one person feels another has pushed ahead of them in the queue. Many people just can't help themselves when there's a good bargain to be had. In extreme cases, people will buy things they don't want or even need if the price is right.

In business, though, what is the right price? The answer depends on a whole range of other issues, which of course, need to be negotiated. So how do you manage the other party's need for satisfaction? That is, their natural need to feel as though they got a better deal than was originally available.

- Do you start out with an extreme opening on price?
- Do you introduce conditions that you are ready to concede on?
- Do you build in red herrings (issues that are not real, that you can easily, and expect to, concede)?

The psychological challenge here is to provide the other party with the satisfaction of having achieved, through hard work, a great deal for *themselves*. In other words letting them “win,” or letting them have *your* way.

Negotiating versus selling

It is a commonly held view that a good “sale” will close itself and that negotiation follows only when outstanding differences remain. However, negotiation as a skill and as a process is fundamentally different from selling. To sell is to promote the positives, the match, to align the solution to the need. It requires explanation, justification, and a rational case. “The gift of the gab” is associated with the salesperson who has an enthusiastic answer for everything. Negotiation does not. Although relationships can be important, as is the climate for cooperation (without which you have no discussion), the behavior of the Complete Skilled Negotiator also involves **silence**, where appropriate. That means listening to everything the other party is saying, understanding everything they are not saying and working out their true position.

Negotiation involves planning, questioning, listening, and making proposals, but it also requires that you recognize when the selling has effectively concluded and the negotiation has begun. If you find yourself selling the benefits of your proposals during a negotiation, you are

Silence

Silence can serve to strengthen your position during negotiation: the other person may seek to fill that silence with offers, or information, or in some cases simply capitulate as the silence becomes too much to bear.

demonstrating a weakness and probably giving away power. It suggests that you don't feel that your proposals are strong enough and that they require further promoting. Once the negotiation has begun, the more you talk, the more you are likely to make a concession.

So, recognizing when the change from selling to negotiating has taken place is critical. You are now negotiating. It is simple enough to shut up, listen, and think, whilst exercising patience. If this silence feels uncomfortable, it is, because you are now negotiating.

PERSONAL VALUES

Values such as fairness, integrity, honesty, and trust naturally encourage us to be open. Personal values have their place within any relationship but business relationships can and often do exist, based on different value sets.

Values are usually deep-rooted and many people feel defensive about them, as if their very integrity was being challenged. The point here is that they are not right or wrong. I am not suggesting that effective negotiators have no values – we all do. However, in negotiation, when you are involved in a process, what you *do* and what you *are* need not be the same thing. This is not about challenging who you are, but it is about helping you to change the things you *do*.

If you want to remain loyal to your values during negotiation there is nothing wrong with that. However, others may not be as faithful to theirs, which could leave you compromised. In other words, if you choose to be open and honest by, for example, sharing information with the other party and they decide not to reciprocate, guess who will gain the balance of power? And how appropriate is that?

Where natural economic laws, such as supply and demand, result in people doing business with each other, a cooperative relationship can help to create greater opportunities but it is not always critical. Trust and honesty are great corporate values: they are defensible and safe, especially when you have a business involving hundreds or thousands of people buying or selling on behalf of one business. They also help promote