

TECHNOLOGY ACQUISITION UPDATE

Savvy Negotiating: 7 Strategy Tips



This is the first in a series of newsletters on negotiations. This newsletter discusses negotiation strategy. Future newsletters will discuss negotiating tactics, mistakes and blind spots, and the art of negotiating.

The ideas on negotiations that I present below have developed over the last 31 years that I have been negotiating the sales of technology companies. These remarks are also applicable to other types of negotiations in business and in life.

First let's distinguish between strategy and tactics. Don't confuse strategy and tactics. Strategy requires thought; tactics require observation. A strategy is not a goal. Strategy is the overall plan to achieve your goal or solve a problem. Tactics relate directly to the current negotiating situation and the people and issues that you are dealing with. Tactics do not exist in a vacuum; tactics are in response to the other party's actions or positions.

Let's explore seven ideas for good negotiating strategies of the savvy negotiator:

1. Keep Strategies Flexible

Negotiations are dynamic situations—the tone and balance can change dramatically. The perception

of value can change as well. My preference is to have an open-minded and flexible strategy. That way you can move and adjust with the flow of the situation. Having a set strategy can get in the way of flexibility. Think of strategy like planning a road trip—if the main road does not look promising, take an alternate route.

2. Get Priorities Straight

Figure out what is most important to your side. You need to have your priorities straight. Be realistic because you may not be able to achieve every one of your goals. What is of major importance and what is of minor importance? If you figure these things out ahead of time, it will make it easier for you to respond in the heat of negotiations. Know your trade-offs.

Determine your indifference curve. In the sale of a company, think about what combinations of price and terms shareholders would be indifferent to. Would the shareholders prefer \$8 million in cash or \$11 million in stock? This is not about the total amount, but about the *relative preference* for different types of deal terms.

You cannot always get everything you want in life, so priorities are essential if you are to make good decisions and wise compromises.

3. Learn their Value Framework

Do your homework. Learn as much as possible about the other party—its strengths and weaknesses, its market segments and its customers. What problems are they having? Understand how completing a transaction with your side will solve their problem or benefit them.

Try to understand how the other party views value. What is their framework for evaluation? An experienced negotiator can add real value in this area. He or she will notice things that a less experienced negotiator will not perceive. An experienced negotiator will have a good idea of how the other side views value. And if they don't have a good idea, the negotiator will continue to probe until he *does* have a good idea about how the other side perceives value.

4. Big Things First

The first order of business is to agree on the big points, the broad issues. Then try to reach agreement on the intermediate issues and last work out the details. Too many people jump right to the details early on in discussions. This is a mistake because it creates more unresolved issues before the more important issues have been agreed upon.

Get the order of the negotiation activities right. Work to reach agreement on the big points first. If you cannot reach agreement on an important issue, try breaking it into several smaller issues that can be more easily negotiated. On a related point, sometimes issues appear to be linked together; it may be possible to

break this link so that the points can be negotiated separately.

5. Insight from Trial Proposals

Introducing trial proposals can help you gain insight to the other side's thinking. The other party's response can be illuminating about their preferences, about their assumptions and about how they view value. Use trial balloons. Suggest a variety of prices, terms or structures.

Trial proposals allow you to gain good insights; you may even resolve a particular issue. You might also uncover a hidden issue that needs to be addressed.

6. Smart Concessions

A no-concessions strategy is dangerous, since concessions are usually expected. Anticipate making concessions and plan a few in advance. Don't compromise too early, but have a few in your bag. A smart negotiator compromises by giving up something in order to get something in return.

7. Perceive the Nuances

The nuances of negotiations are extremely important. If I am offering advice in the background, rather than being the lead negotiator, I make a point to debrief the CEO (or the person leading the negotiations) after each meeting and often after each phone call.

The negotiation team should discuss each interaction. What have you observed? How is the other side reacting?

Perception is more important than analysis in most negotiations. Many negotiations are like high-stakes poker games. Perceiving the players is a key poker skill. Similarly, perceiving the nuances, reactions and needs of the other party is a key ability of the savvy negotiator.

A Few Parting Thoughts

Listen. Listen. Listen. Listening is the most important negotiating skill. How can you give the other side what it is seeking if you're not sure about what their true objectives are? Unless you meet their main objectives a transaction will not occur.

Developing trust between the parties throughout the negotiating process is critical for achieving agreement. I try to develop trust in every single negotiation. Stay true to your word. It will pay dividends later.

Treat every person with respect. Be polite. Don't jerk them around. Don't put them off. Sure, the other side might aggravate you from time to time but don't let it get under your skin. Take the high road. It will work to your advantage in the long run.

Remember, the price you get is the price you negotiate.

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Consider using a third party to assist with your negotiations. An objective party may observe or perceive things that you do not. The other side may be more approachable with a third party as well.

Please keep me in mind as a negotiator or negotiation advisor. Having sold companies for 30 years, my negotiating experience is extensive.

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