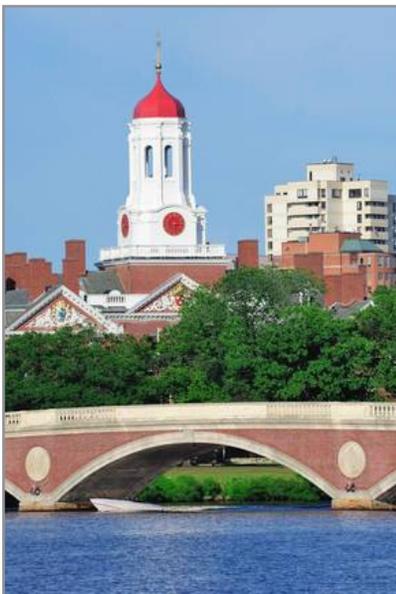




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Negotiation insights from diplomats

I once had the opportunity to join a team in developing and teaching a course on corporate diplomacy for the most senior executives of one of the 20 largest firms in the world. Much of the course focused on decision making and negotiation in untraditional business environments. By nature of its manufacturing business, this firm often creates long-term contracts and makes significant investments in nations that are in flux and where business relations do not always follow the expectations of more-developed economies. For these reasons, the firm's leaders cared deeply about creating the very best corporate diplomacy training possible.

In addition to the faculty and students, the sessions were attended by very high-level former diplomats who had worked in the country where the case we were discussing—based on a recent episode involving executives from the firm—had occurred. We invited the diplomats to provide insight into local customs, changing politics, and business norms. They provided that knowledge—and much more. They taught us, faculty and executives alike, to think more broadly about information that is not obviously relevant to a given negotiation but is crucial nonetheless.

Here are some of the important questions that the diplomats posed:

- “How will different owners of a potential partner firm in the foreign country react to the interests of a multinational?”
- “How will changing local laws affect the wisdom of the transaction?”
- “What opportunities for learning are you creating?”

The host of questions continued—questions that were novel to the executives and the faculty. It became clear that the executives involved in the actual case

being discussed had not asked the questions the diplomats identified; if they had done so, the corporation's business-development activities would have been more successful.

Bounded awareness and negotiation. What did the diplomats bring to the discussion? A more inclusive mindset. Their questions broadened our awareness beyond the scope of the teaching plan in very interesting and productive ways.

Too often, negotiators consider only the information that is most obvious about the negotiation—specific information relevant to the bargaining task at hand. Meanwhile, critical information lies outside their awareness. New York University professor Dolly Chugh and I refer to the common and systematic failure to see readily available and important information as *bounded awareness*. An overly narrow focus can limit negotiators.

By contrast, effective negotiators include broader sources of information in their field of vision. As a result, they more fully understand the implications of their actions and expand their awareness of the negotiation.

Clearly, the diplomats had a trained ability to think about the big picture of a given negotiation. They asked questions that did not occur to very high level and successful business executives or business school professors. This tendency to think broadly is a skill that would serve all negotiators well. It's particularly important when the rules of a negotiation are foreign and unfamiliar.

How to broaden your focus. The more important and complex your talks are, the greater the need to seek information from the outer edges of your awareness. In addition, the more unusual the negotiation is and the less you understand about the other party, the more you should strive to broaden your focus.

What type of information might you be most likely to miss? To answer this question, reconsider your most important past negotiation. In retrospect, did you ignore any important information or miss any key opportunities? Was it possible for you to obtain the missing information? How would you have found it? Your answers may provide hints on where to find the most important information in the broader concentric circles of your negotiations.

In our corporate course, the diplomats enhanced our understanding of the negotiation at hand by asking and answering lots of questions that hadn't occurred to any of us—not those who had brokered the deal, not the other

executive students, and not the teachers. I present four of their questions here and explain why it might be useful for you to pose similar questions when preparing for and conducting your most important negotiations.

1. How will various individual owners of a potential partner firm react to the interests of a multinational? Extensive research has shown that people tend to treat unfamiliar groups more stereotypically than they treat their own group. The result? When we negotiate with people we don't know well, we're likely to fall back on stereotypes. As a result, we miss the unique views represented by the unique individuals on the other side—and miss key insights as well. Negotiators often act as if another company or another culture speaks with one unified voice. In fact, different people within an organization inevitably will have different opinions about the negotiation.

2. How will the partner firm's competitors react to a potential joint venture? Within our own economy, we tend to overlook how our negotiated outcomes will affect the next move or moves of competitors who aren't seated at the table. For example, suppose that the second-largest player in an industry buys the fourth-largest player to become the largest industry player. It's all too likely that the two companies involved in the merger failed to consider how their closest competitors might react to this industry shift. Specifically, their merger might lead the largest and third-largest players to merge as well, creating a net loss of competitiveness. Given the complexity of deal making in developing and rapidly changing economies, the tendency to ignore the role and power of your competitors grows exponentially. Wise executives broaden their focus beyond the negotiating table.

3. What precedent are you creating for future deals? Negotiators are likely to find that the first deal they create in a developing or rapidly changing economy is the most difficult one. Due to the intense concentration required, it's easy to become absorbed in the current deal and lose focus on future deals. Yet the first deal can very easily create precedents for future deals that will affect your company for decades. Developing and attending to a long-term perspective are difficult yet critical tasks in these contexts.

4. What opportunities for learning are you creating? In addition to focusing too narrowly on their organization's first deal in an unfamiliar economy,

negotiators also ignore the potential learning opportunities created by the experience. I am personally familiar with at least one deal in a developing economy in which a large multinational lost nearly \$500 million, due in part to the focusing failures described in this article. Fortunately, that first deal opened up the opportunity to craft a second deal that is now worth tens of billions of dollars.

The lessons of diplomacy are just as relevant when you're negotiating in different regions or cultures within your own country. By broadening your focus in negotiation, you will learn to recognize and respond to differences between cultures and within them. Above all, seek out the best of both worlds, focusing intently when necessary while remaining open to important information from the periphery.

Adapted from "Negotiate Like a Diplomat," by Max H. Bazerman (professor, Harvard Business School), first published in the *Negotiation* newsletter (July 2006).

Quick-thinking negotiation skills from performers

You're onstage without a script, relying on your mind and wits to come up with lines and actions that advance the game. Should you trust your fellow players? It seems you have no choice. You have to say something and hope you achieve the desired reaction from your audience.

Such is the task of a negotiator—and a comedy improvisation performer. Like improv performers, great negotiators have a knack for being quick on their feet. They seize unexpected opportunities and respond swiftly to sudden threats. They sense instantly when they've stepped on someone's toes, and they have the grace to make just the right apology. For many of us, such moments of recognition come too late; only after we've left the meeting do we think of the perfect response.

The good news: Quickness can be learned, whether you have abundant natural talent or only a little. Comedic improvisers learn fast thinking by following certain rules. By mastering them, every performer has the chance of earning laughs.

Improv differs from negotiation in important respects, of course, so its rules and techniques can't be borrowed uncritically. Members of a comedy troupe have the common goal of entertaining an audience; they share guidelines about how to relate to one another. By contrast, negotiating parties may seek agreement but have conflicting ideas about what the outcome should be. And diverse backgrounds or experiences may lead negotiators to very different views of what's appropriate behavior and what's not. Yet these differences make improvisational skill all the more relevant to negotiation. After all, the less parties know about each other, the harder it is to script the process.

Discovering how to engage and persuade the other side is a process of trial, error, and adjustment. The following three rules from improv comedy can help negotiators connect more effectively with their counterparts.

1. "Say 'yes, and...'" A cardinal rule of improv comedy is acceptance, which includes not negating what your counterpart says or does. If someone begins a skit by shivering and saying, "Gosh, it's cold up here at the North Pole," it's bad form to respond, "What are you talking about? We're in the middle of the Sahara." Improv comics accept each other's "offers," even if they're unexpected or unwanted. Without the "yes, and..." norm, players would battle each other to define the scene and their relationship.

In negotiation, when the other side makes an unrealistic proposal, a firm "no" can be essential. But you'd often be wise to follow the "yes, and..." rule. Suppose a contractor interested in remodeling your office suite floats this proposal: 1) a floor plan that's tricky to implement but perfectly suited to your team's needs; 2) a price quote that's slightly higher than you'd like; 3) completion in 10 months rather than your desired six-month time frame. If you're not careful, you might immediately rattle off all the reasons why the third item is unworkable.

Before yielding to that negative impulse, consider where a "yes, and..." approach could take you. You might say, "I appreciate your willingness to accommodate our floor plan, which allows us to reciprocate on price. Now let's figure out how to meet your need for extra time without causing us big headaches." They may push back, but the "yes, and..." approach solidifies your progress and avoids painting your counterpart into a corner.

Saying "yes, and..." isn't easy in negotiation. When you're on the receiving

end of an unworkable demand, you may feel your only choice is to cave in or fight back. If you're quick on your feet, however, you may identify an alternative: accepting a glass that's half full and then coaxing your counterpart to top it off.

2. "Don't ask questions." For improv performers, this second rule makes good sense. Imagine a show in which the comics can only ask questions:

Frick: "Aren't you feeling well?"

Frack: "Why do you ask?"

Frick: "Do you think I'm being nosy?"

Frack: "What gave you that idea?"

By this point, the audience would be stampeding for the exit. Nonstop questions stall scenes. Because questions rarely add new information, they don't give the performers the material they need to build a story and their relationship.

Though a cardinal rule of improv comedy, "Don't ask questions" might seem less applicable to negotiation. After all, without questions, how can you fathom the other side's underlying interests and strike an agreement that pleases you both? Yet consider that even good questions can have costs. For one thing, they put the ball in the other party's court. In improv, this is called "making the other guy do all the work." When one comic says, "What are we doing here?" someone else has to invent the setting, roles, and action.

In negotiation, asking "What do you propose?" cedes control to the other party, at least temporarily. That can be a disarming gesture if you're confident that your counterpart will respond with a realistic offer that lays a foundation for collaborative problem solving. If he instead makes an aggressive proposal, you've let him anchor the process on his desired outcome and launched a game of haggling.

The wrong kind of questions can also backfire if the other side feels you've put him on the spot. "Is that *really* your bottom line?" is unlikely to get this desired response: "Well, not really. I just wanted to see if I could dupe you into settling cheap."

When you do ask questions, keep them open-ended while offering a sense of direction. Better still, contribute to the conversation. Asking "What do we need to do to create more value?" can encourage fresh perspectives and ward off a knee-jerk no.

Studies suggest that some negotiators seldom ask questions, though probably for the wrong reason—they fear that inquiries will signal poor preparation and oblige them to answer potentially awkward queries. Such negotiators are often so wrapped up in their own sales pitch that they don't recognize that the other side probably has its own point of view.

The trick is finding the right balance between inquiry and advocacy. Questions can yield important information, but the act of questioning also creates an interpersonal dynamic that can be either positive or negative. Avoid the kind of cross-examination that wins minor debating points at the cost of creating an adversarial relationship.

3. “Maintain eye contact.” Here's another improv comedy rule that negotiators should observe in principle, if not literally. Eye contact is essential among performers, allowing them to send and receive physical cues that may be far more expressive than mere words. More fundamentally, it's how they display deep engagement. If a comic lets his gaze wander over the audience, he's playing to the audience, not his partner. Improv can succeed only if it's done together.

Maintaining eye contact isn't always possible or even advisable in negotiation. In certain cultures, looking a business associate straight in the eye is considered rude. Hierarchy also comes into play; those in high-power positions feel less need to engage subordinates by looking at them directly. And, of course, negotiations are increasingly conducted by telephone, fax, or e-mail—forums in which eye contact isn't an option.

All the more reason for negotiators to find other ways to stay connected. Negotiators and improv performers alike must be accomplished listeners. This means more than spouting the tired scripts of active listening, such as “If I hear you correctly...” or “What I think you're trying to say is...”. Deep listening isn't just *acting* as if you've been paying attention; it is doing nothing but listening when your counterpart is speaking. That means resisting the impulse to formulate what you'll say next while she's still talking.

Improv comedians understand that the world is full of surprises—some pleasant, some not. Similarly, your negotiation counterparts may turn out to be more or less aggressive than you anticipated. Either way, be sure to respond to acceptable demands with “yes, and...”. Avoid acting like a prosecutor when

you ask questions. Finally, successful improvisation requires listening with full attention.

“What Negotiators Can Learn from Improv Comedy,” by Lakshmi Balachandra (lecturer, Harvard University) and Michael Wheeler (professor, Harvard Business School), first published in the *Negotiation* newsletter (August 2006).

Negotiation lessons from sports professionals

“Show me the money!” That refrain from the 1996 movie *Jerry Maguire*, shouted by a football player to his agent, continues to echo through U.S. professional sports negotiations today. A public arena, enormous piles of cash, and even bigger egos combine to make sports negotiations a unique context. Yet anyone who has negotiated through agents, faced a competitive atmosphere, or lacked strong deal alternatives can learn a lot from team athletics.

In his chapter “First, Let’s Kill All the Agents!” in *Negotiating on Behalf of Others* (Sage, 1999), Harvard Business School professor Michael Wheeler analyzes the key features that can make sports negotiations so contentious. Here are three of them:

1. The presence of agents. In recent decades, the rise of players’ unions, collective bargaining, and growing revenue streams from advertising and broadcast fees gave players more leverage than ever before—and created a greater need for experts to negotiate athletes’ increasingly lucrative and complex contracts. Agents can add value by matching players with the right teams and insulating them from subpar offers and hard-bargaining tactics, according to Wheeler.

But because sports agents typically have relationships with many different teams and players, and earn a portion of their clients’ salaries (typically 4% to 10%), they face significant conflicts of interest. Sports agents are routinely accused of keeping players in the dark during contract talks and focusing on player salary to the exclusion of other deal features that might please their clients, such as a great location or options for contract extensions.

For reasons such as these, a small number of athletes choose to negotiate on

their own behalf. Former Major League Baseball (MLB) pitcher Curt Schilling successfully negotiated an \$8 million incentive-laden one-year contract extension with the Boston Red Sox for himself, only to sit out the entire 2008 season with a shoulder injury. On his blog, Schilling wrote in 2007 that “at some point in your career, an agent becomes baggage.”

2. Lack of alternatives. Consider the saga of baseball player Matt Harrington. For four years straight, between 2000 and 2003, the pitcher entered the MLB draft. Year after year, negotiating through different agents, Harrington turned down offers from MLB teams. As Harrington got older, the offers got worse, falling from a promise of \$4 million over two years in 2000 to little more than the chance to play in the majors in 2003.

The story illustrates a prime feature of most professional sports deals: a lack of strong outside alternatives. In most negotiations, if talks with one counterpart don’t go well, we can walk away and deal with someone else. But in the major U.S. team-sports leagues, including MLB, the National Football League, and the National Basketball Association, players enter the system through a draft that requires them to negotiate with one particular team. For most junior players, holding out for a better deal means sitting out the season—not an appealing career option. Only when athletes have served their team for a set number of years are they eligible to become free agents and negotiate with other teams.

3. No zone of agreement. In negotiations outside the realm of sports, parties typically see value in negotiating with each other only if a *zone of possible agreement*, or ZOPA, exists. If you’ve decided to pay no more than \$15,000 for a new car, you won’t bother visiting your local Porsche dealership.

Yet agents and sports teams often begin their negotiations miles apart. Instead of dealing in the ZOPA, according to Wheeler, they deal in the “NOPA”—the realm of *no possible agreement*. In a 1995 study, Wheeler and his colleagues David Lax and James Sebenius tested this theory by observing how actual National Hockey League (NHL) general managers behaved in a simulated NHL salary negotiation. Almost all the pairs, playing the role of player’s agent and general manager, started the negotiation with a large gap in their bargaining range. That is, those acting as agents demanded much higher salaries for their

players than those playing managers were willing to offer.

In NOPA negotiations where the only alternative is to walk away (or, for senior players in some sports, to let an arbitrator decide your fate), parties on both sides of the table concentrate on getting the other party to budge, notes Wheeler. Under these conditions, negotiation becomes nothing more than a matter of hoping the other guy blinks first.

“Becoming a Team Player: Lessons from Professional Athletics,”
first published in the *Negotiation* newsletter (October 2009).

From competition to collaboration

If you’ve faced some of the same challenges that plague sports negotiations, these four tips can help you strive for greater collaboration and trust:

1. Manage your agent. In a chapter in the book *Negotiating on Behalf of Others* (Sage, 1999), Brian S. Mandell argues that athletes who negotiate through agents need to take a number of steps to guard against agent incompetence and conflicts of interest. This advice applies to all negotiators who allow others to speak for them. First, give your agent clear instructions regarding your long-term goals and your range of interests. Second, limit your agent’s authority to make commitments on your behalf. Third, make sure that your agent consults with you throughout the negotiation process. Fourth, try to align your agent’s compensation with your interests by structuring a payment scheme that rewards him for creating value at the table. Finally, verify your agent’s statements by reaching out to your negotiating counterpart. Even if you’re not sitting at the table, you still have a right to speak with the other side. Here’s one more tip: if your agent won’t follow these instructions, find a new agent or consider representing yourself.

2. Insist on expanding the pie. Whether you’re negotiating on your own or through an agent, you are likely to periodically encounter negotiators who persist in haggling over a single issue—typically price. How can you convince someone to discuss ways to create more value for both parties? First, reduce some of the external pressures on your negotiation. If you’re facing a tight deadline, try to

extend it. If you're being closely monitored by an audience, such as members of your organization or the media, work on making your negotiations more private. At the table, discuss the benefits of viewing each other as collaborators rather than as rivals.

3. Analyze the market. Examining each other's constraints and broader market forces can help negotiators move from a NOPA to a ZOPA. In 2005, the NHL enacted a collective-bargaining agreement that levied an overall salary cap tied to league revenues. As a consequence, players and their agents have had to lower their expectations of what some NHL teams can afford to pay. Similarly, business negotiators need to consider the larger economic forces in which they are working. In the midst of a recession, it might be unrealistic for you to expect customers to accept a significant price increase as part of your contract renegotiations, even if they did last year.

4. Create better alternatives. Occasionally, it may seem as if everything is riding on the outcome of a particular deal. But that kind of pressure can sabotage even the best negotiators. When preparing for a negotiation that seems like a once-in-a-lifetime opportunity, make a list of all the other options you might explore if you don't succeed. By improving your sense of psychological power, you set yourself up to perform at your best.



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