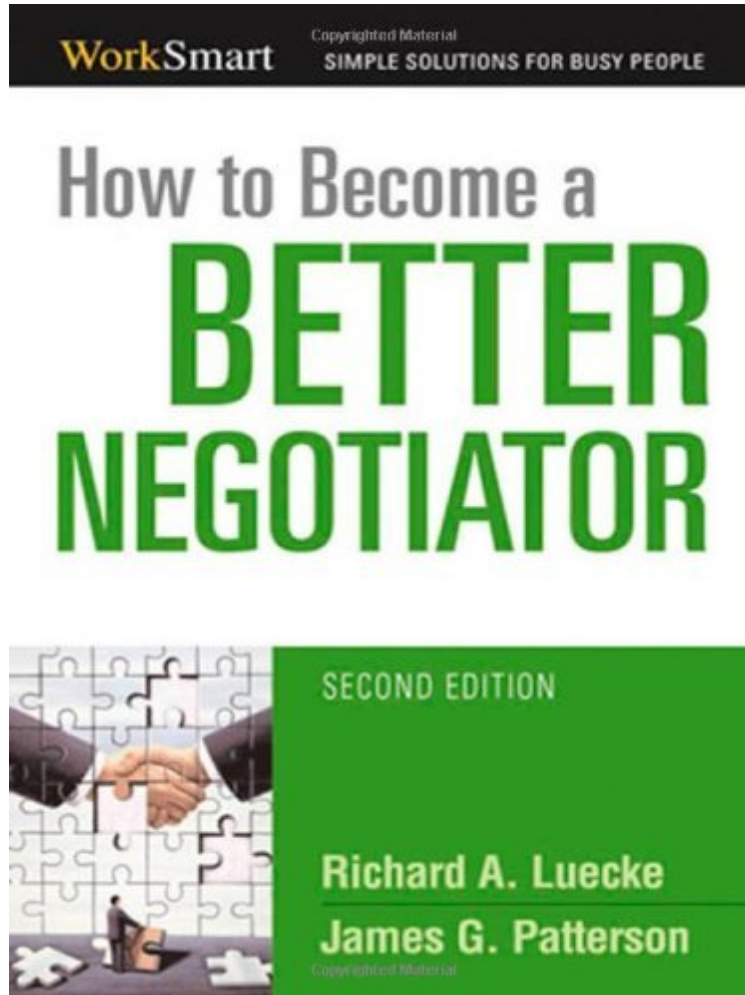


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How to Become a Better Negotiator (Worksmart Series)

Richard A. Luecke

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Richard A. Luecke : How to Become a Better Negotiator (Worksmart Series) before purchasing it in order to gauge whether or not it would be worth my time, and all praised How to Become a Better Negotiator (Worksmart Series):

Whether it's at home or at work, so much of our lives involves negotiating to get what we want. From negotiating a higher salary, to lowering costs from suppliers, to hammering out a new contract with a major customer, or even deciding where to go on vacation, the only way to consistently arrive at successful conclusions is to master the art of negotiation. Updated with completely new tactics and strategies, How to Become a Better Negotiator lets readers in on the same high-level skills that experienced negotiators use. Packed with fill-in-the-blank sections, tips, quizzes, and chapter reviews, the book covers important topics such as listening, assertiveness, and how to deal with hostile

opponents. In addition, the book now features new chapters on: preparation, including identifying issues and interests, and determining alternatives to a deal and reserve price - the five basic steps of negotiation and "doing the deal" - and typical negotiating pitfalls and how to avoid them.

About the Author RICHARD A. LUECKE is a freelance business writer and publishing executive whose articles have been published by Oxford University Press, John Wiley Sons, and Harvard Business School Press. He has negotiated over one-hundred contracts with individuals, businesses, and non-business institutions. He is the author of *The Manager's Toolkit* and *The Entrepreneur's Toolkit*. JAMES G. PATTERSON is a training consultant who has taught leadership and communication skills for the U.S. Army Military Intelligence School. Excerpt. copy; Reprinted by permission. All rights reserved. CHAPTER 1 WIN-LOSE OR WIN-WIN Generally, negotiations fall into one of two types: win-lose or win-win. It's important to understand the difference between these because each requires a different attitude and set of tactics. WIN-LOSE In a win-lose negotiation, the matter at stake involves a fixed value, and each party aims to get as much of that value as possible. Anything gained by one party is achieved at the expense of the other, which is why a win-lose situation is also known as a "zero-sum game." People often use the example of a pie in explaining a win-lose situation. Whatever you manage to carve out of that pie for yourself reduces the amount of pie that the other person will get—and vice versa. So your job in this game is to get as big a slice as you possibly can (Figure 1-1). Win-lose situations are common in these circumstances: * Price is all that matters. * There is no expectation of a continuing relationship with the other side. * One side has greater bargaining power than the other. For example, think about that new car you bought last year. Having done your homework, you knew exactly which model you wanted, your color preferences, and the options that appealed to you. A little research told you what price the different dealers were asking for that model and, thanks to some online research, you knew what those dealers paid for that model (dealer invoice price) and the different options. Another online search gave you a good idea what you might expect for a trade-in of your old car. Chances are that every dealer visit you made included some haggling about price. When the objective of the negotiation is a commodity-like product, such as a particular car model, price is generally the main issue. If Dealers A, B, C, and D each had the car you wanted, there wasn't much besides price to negotiate about. Your relationship with the car salesperson and the dealer didn't matter either. It was clear to you that the salesperson and his boss were trying to get as much out of the deal as possible—charging as much as they could for the car, trying to "upsell" you on expensive options you didn't want or need ("For only \$700, we can protect your investment by installing the patented Gotcha! theft-deterrent system"), and lowballing the value of your trade-in ("Our mechanic has found lots of problems with your car"). So you weren't planning to do business with these people again. You were after the car. In win-lose deals, relationships don't matter. Simply put, your job was to come away with the greatest possible value—a win-lose proposition—and the salesperson was trying to do the same. Participants in win-lose negotiations perceive a fixed amount of value. As they carve up the value "pie" each tries to carve out as big a piece as possible for himself. And every gain by one party represents a one-to-one loss to the other. WIN-WIN Very few negotiations involve a fixed value or a commodity product. There's generally at least one or more ways that the parties can alter the value of the deal or product or service at the heart of their negotiations—in effect, enlarging the pie. In these situations, price is only one of several issues that matter. The quality of the product or service, the reliability of the other party, or the importance of one's relationship with the other party may be just as important as price. In win-win deals, relationships often matter. Consider a negotiation between MakeCo—a manufacturer—and one of its long-term suppliers, WidgetWorks. MakeCo is trying to negotiate a purchase agreement for 10,000 widgets built to its specifications for \$5 apiece, to be delivered in lots of 1,000 units as needed. WidgetWorks wants to keep MakeCo's business but needs a higher price—say \$5.50—to earn an acceptable profit for itself and its shareholders. Getting this higher price will be difficult since several other competitors are asking for less. On the surface, this might be just another win-lose situation, with each trying to get the best price. But it's possible that MakeCo and WidgetWorks have a relationship that's worth more than price per widget. For example, MakeCo appreciates and values WidgetWorks's reliability. When WidgetWorks says, "We will have 2,000 units at your receiving dock by Friday morning," MakeCo's production planners know from experience that they can rely on those units being there when they need them. "Other vendors are quoting a lower price," says MakeCo's purchasing manager, "but their reliability hasn't been demonstrated. Who knows? They might be out of business in six months, leaving us in a real jam." Further, the two companies—buyer and supplier—have been working together so long that their engineers are accustomed to collaborating on the design of new widgets and the materials used to make them. For its part, WidgetWorks has every reason to want MakeCo to succeed in its business. "They've been a valued customer for over 12 years now," says WidgetWorks's CEO. "When they win, we win." And so, as they negotiate, each company is motivated to reach an agreement that will satisfy the interests of both parties. In some cases it costs little or nothing to satisfy the interests of the other party, even as you do well for yourself. This is achieved by creating value through trades—that is, giving up something that is of little value to you, but that the other party values highly. Consider this example: When Boston Brewing Company, maker of Samuel Adams beer, first went into business, it didn't have enough orders to financially justify a multimillion-dollar, state-of-

the-art plant. Meanwhile, a brewery in Pennsylvania found that it had more production capacity than it could use; part of its costly plant was idle. These two companies saw an opportunity to create value through trade. For the Pennsylvania brewery, every case of Samuel Adams beer it bottled using that company's unique recipe would produce revenue it could use to cover the fixed costs of its plant. As long as it charged enough to cover the added cost of labor and ingredients (variable costs), it would be money ahead. For Boston Brewing Company, contracting production to the Pennsylvania facility would eliminate the need to build a multimillion-dollar plant of its own. At the same time, it knew that it would get consistently high quality for its customers. So the two companies struck a deal. The Boston company sent its brewmeister to Pennsylvania, where he supervised production of Samuel Adams beer. The price it paid for each case was far less than the cost of producing beer in its own facility. The brewery was equally pleased with the deal; its idle capacity was now making money. The deal struck by these two companies produced a win-win.

WHAT ABOUT YOU? Can you think of win-win examples from your own experience? Perhaps you've asked your boss for a raise. "I don't have the money in my budget for a raise," she says, "but I can offer you something more valuable. I can assign you to a project that will broaden your experience and skills, making you more promotable in the future." You will gain something of value in this trade at no cost to your boss. A win-win.