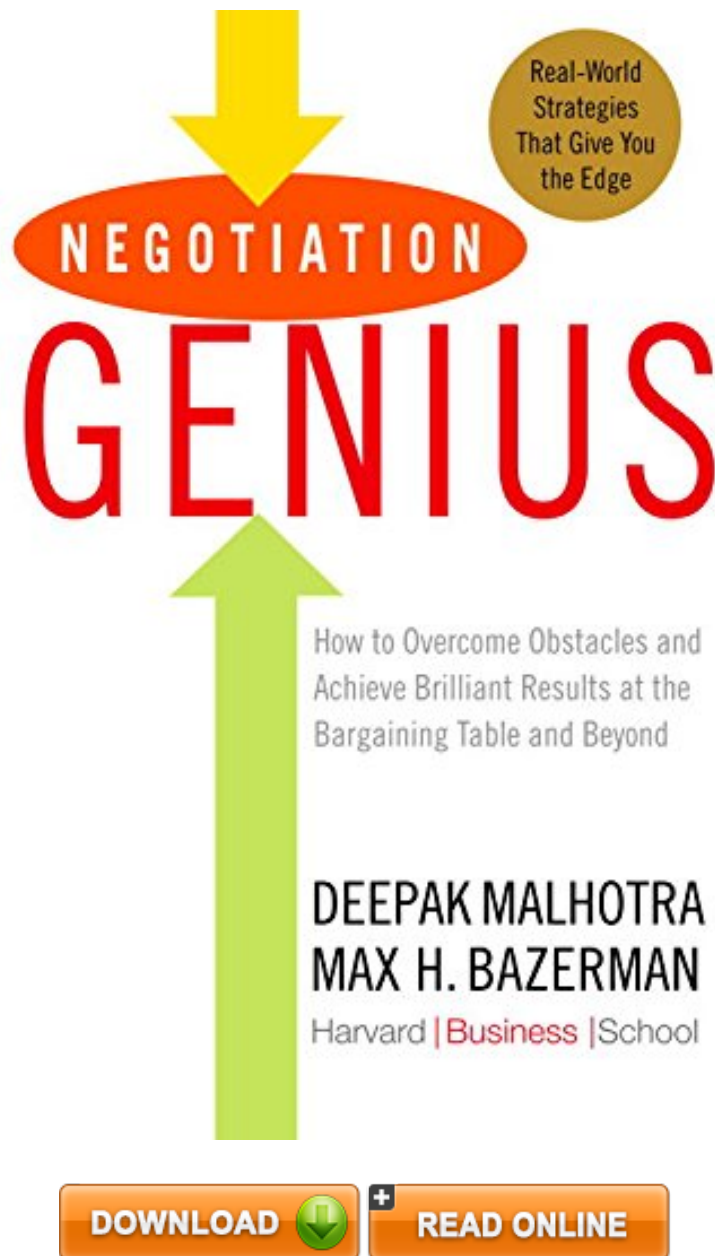


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Negotiation Genius: How to Overcome Obstacles and Achieve Brilliant Results at the Bargaining Table and Beyond

Deepak Malhotra, Max Bazerman
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how to be a better negotiator while being an interesting read. I went from being very shy and timid in the world of negotiation to being much more confident in myself. 1 of 1 people found the following review helpful. Magnificent
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What a heck of a ride! It's an amazing book with a lot of insight, a lot of ideas, it's difficult to say I learn everything maybe in five years I can say if I really learning something or not but read it and enjoy, it's a new world!
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You don't want to miss out on the stuff in THIS book. You'll learn the strategy that a campaign manager used to save \$3 MILLION for Roosevelt. You'll learn the tactics (and principles) that CEOs WISH they knew. Best of all, you'll be ABLE TO USE what you learn and THRIVE in pretty much with ANY SITUATION with people- business or personal. Really simple and effective read, so glad I found it.
Tizoc Fleishour student of debate, aspiring businessman.

From two leaders in executive education at Harvard Business School, here are the mental habits and proven strategies you need to achieve outstanding results in any negotiation. Whether yoursquo;ve ldquo;seen it allrdquo; or are just starting out, Negotiation Genius will dramatically improve your negotiating skills and confidence. Drawing on decades of behavioral research plus the experience of thousands of business clients, the authors take the mystery out of preparing for and executing negotiationsmdash;whether they involve multimillion-dollar deals or improving your next salary offer. What sets negotiation geniuses apart? They are the men and women who know how to:bull;Identify negotiation opportunities where others see no room for discussionbull;Discover the truth even when the other side wants to conceal itbull;Negotiate successfully from a position of weaknessbull;Defuse threats, ultimatums, lies, and other hardball tacticsbull;Overcome resistance and ldquo;sellrdquo; proposals using proven influence tacticsbull;Negotiate ethically and create trusting relationshipsmdash;along with great dealsbull;Recognize when the best move is to walk awaybull;And much, much more
This book gets ldquo;down and dirty.rdquo; It gives you detailed strategiesmdash;including talking pointsmdash;that work in the real world even when the other side is hostile, unethical, or more powerful. When you finish it, you will already have an action plan for your next negotiation. You will know what to do and why. You will also begin building your own reputation as a negotiation genius.

An absolutely brilliant negotiation framework and tool kit of negotiation strategies, compellingly illustrated from extensive real and complex situations. It'squo;s the most comprehensive, wise, practical book on the subject Irsquo;ve ever seen.rdquo;mdash;Stephen R. Covey, author of The 7 Habits of Highly Effective Peopleand The 8th Habit: From Effectiveness to Greatnessldquo;Few skills in life are as valuable as negotiatingmdash;and we can all become better at it. Professors Malhotra and Bazerman show us how, combining insightful analysis with clear, practical, and ingenious recommendations.rdquo;mdash;William Ury, coauthor of Getting to Yes and author of The Power of a Positive Noldquo;Shortly after I sat down with Negotiation Genius, I reached for pen and pad and began to make notes. Thirty-five years in the space with hundreds of major negotiations, and this work still has something to teach me. It'squo;s the rare book that I would recommend to people at any experience level. With its engaging blend of real-world stories, intelligent tools, and emphasis on ethics and integrity, it is must reading for all who wish to excel.rdquo; mdash;Brian McGrath, Global Vice President, Chief Procurement Officer, Johnson Johnson Consumer Companies ldquo;Malhotra and Bazerman are offering a heck of a deal: for a handful of dollars, you can buy a book that invites you into a classroom conversation at the Harvard Business Schoolmdash;an experience that would normally cost fistfuls. This is a classic win-win bargain. No wonder they write so well about lsquo;negotiation genius.rsquo;rdquo;mdash;David Gergen, former U.S. presidential adviser; Director, Center for Public Leadership, John F. Kennedy School of Governmentldquo;Invaluable. Whether in business, politics, or the nonprofit sector, leaders must rely on the power to persuade, and Malhotra and Bazerman unlock the secret...About the Author
Deepak Malhotra is a Professor at the Harvard Business School, where he teaches Negotiation courses to MBA and Executive students. Deepak has won multiple awards for his research and teaching, including the MBA Class of 2011 Faculty Award at HBS.
Max H. Bazerman is the Jesse Isidor Straus Professor of Business Administration at the Harvard Business School and the author of Negotiating Rationally and Judgment in Managerial Decision Making.
From the Hardcover edition.
Excerpt.
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Becoming a Negotiation Genius
What is a negotiation genius?
Let'squo;s start with the simple observation that you often know a negotiation genius when you see one. You can see genius in the way a person thinks about, prepares for, and executes negotiation strategy. You can see genius in the way a person manages to completely turn around a seemingly hopeless negotiation situation. You can see genius in the way a person manages to negotiate successful dealsndash;consistentlyndash;while still maintaining her integrity and strengthening her relationships and her reputation. And, in all likelihood, you know who the negotiation geniuses are in your organization. This book will share with you their secrets. Consider the following stories, in which negotiators faced great obstacles, only to overcome them to achieve remarkable levels of success. But we will not reveal how they did itndash;yet. Instead, we will revisit these storiesndash;and many others like themndash;in the chapters that follow, as we share with you the strategies and insights you need to negotiate like a genius in all aspects of life.
A Fight Over Exclusivity
Representatives of a Fortune 500 company had been negotiating the purchase of a new product ingredient from a small European supplier. The parties had agreed to a price of \$18 per pound for a million pounds of product per

year, but a conflict arose over exclusivity terms. The supplier would not agree to sell the ingredient exclusively to the U.S. firm, and the U.S. firm was unwilling to invest in producing a new product if competitors would have access to one of its key ingredients. This issue appeared to be a deal breaker. The U.S. negotiators were both frustrated and surprised by the small European firm's reticence on the issue of exclusivity; they believed their offer was not only fair, but generous. Eventually, they decided to sweeten the deal with guaranteed minimum orders and a willingness to pay more per pound. They were shocked when the European firm still refused to provide exclusivity! As a last resort, the U.S. negotiators decided to call in their resident "negotiation genius," Chris, who flew to Europe and quickly got up to speed. In a matter of minutes, Chris was able to structure a deal that both parties immediately accepted. He made no substantive concessions, nor did he threaten the small firm. How did Chris manage to save the day? We will revisit this story in Chapter 3.

A Diplomatic Impasse

In the fall of 2000, some members of the U.S. Senate began calling for a U.S. withdrawal from the United Nations. Meanwhile, at the United Nations, the United States was on the verge of losing its vote in the General Assembly. The conflict was over a debt of close to \$1.5 billion, which the United States owed to the UN. The United States was unwilling to pay unless the UN agreed to a variety of reforms that it felt were long overdue. Most important, the United States wanted a reduction in its "assessments"—the percentage of the UN's yearly regular budget that the United States was obligated to pay—from 25 percent to 22 percent. The problem was this: if the United States paid less, someone else would have to pay more. There were other serious complications as well. First, UN regulations stipulated that Richard Holbrooke, U.S. ambassador to the UN, had to convince all 190 countries to ratify the changes demanded by the United States. Second, Holbrooke faced a deadline: if he could not strike a deal before the end of 2000, the money set aside by Congress to pay U.S. dues would disappear from the budget. Third, no nation seemed willing to increase its assessments in order for the United States to get a break. How could Holbrooke convince even one nation to increase its assessment when they all claimed this was impossible? As the end of 2000 approached, Holbrooke decided on a different strategy. He stopped trying to persuade other nations to agree to his demands. What he did instead worked wonders: the issue was resolved, and Holbrooke was congratulated by member states of the UN as well as by members of both political parties in the U.S. Congress. How did Holbrooke resolve this conflict? We will revisit this story in Chapter 2.

A Last Minute Demand

The CEO of a construction company was negotiating a deal in which his firm would be contracted to build midsize office buildings for a buyer. After months of negotiations had finally concluded—but just before the contract was signed—the buyer approached the builder with an entirely new and potentially costly demand. The buyer wanted to include a clause in the contract that would require the builder to pay large penalties if the project's completion was delayed by more than one month. The builder was irritated by this sudden demand; it seemed as though the buyer was trying to squeeze a last-minute concession from him. The builder weighed his options: he could accept the buyer's demand and seal the deal; he could reject the buyer's demand and hope this would not destroy the deal; or he could try to negotiate to reduce the proposed penalties. After considering these options, the builder decided on an entirely different approach. He negotiated with the buyer to increase the amount of penalties he (the builder) would have to pay if the project was delayed—and the revised deal made both parties better off. How? We will revisit this example in Chapter 3.

A Campaign Catastrophe

It was 1912, and former president Theodore Roosevelt was campaigning for a third term. The campaign was tough; every day seemed to present new challenges. But here was a challenge that no one had anticipated. Three million copies of Roosevelt's photograph had already been printed for circulation with a campaign speech when Roosevelt's campaign manager discovered a catastrophic blunder: the photographer had not been asked permission for the use of Roosevelt's photograph. To make matters worse, it was soon discovered that copyright law allowed the photographer to demand as much as \$1 per copy to use the photograph. Losing \$3 million in 1912 would be equivalent to losing over \$60 million today. No campaign could afford that. The alternative was almost equally unattractive; reprinting three million brochures would be tremendously costly and could cause serious delays. The campaign manager would have to try to negotiate a lower price with the photographer, but how? The photographer seemed to hold all the cards. The campaign manager, however, had something better: an effective strategy that he used to negotiate an almost unbelievable deal. We will reveal the deal—and the strategy—in Chapter 1. As we hope to persuade you, people are rarely born "negotiation geniuses." Rather, what appears to be genius actually reflects careful preparation, an understanding of the conceptual framework of negotiation, insight into how one can avoid the errors and biases that plague even experienced negotiators, and the ability to structure and execute negotiations strategically and systematically. This book will provide you with this framework—and with an entire toolkit of negotiation strategies and tactics that you can put to work immediately. As you begin to apply the framework and strategies in the many negotiations you encounter—in business, in politics, or in everyday life—you will begin to build your own reputation as a negotiation genius.

Our Approach

Just twenty-five years ago, courses on negotiation were rarely taught in management schools or in executive education programs. Now they are one of the most sought-after courses in business schools throughout the world. Negotiation courses are also tremendously popular in law schools and schools of public policy and government. Why? Because in our increasingly complex, diverse, and dynamic world, negotiation is being seen as the most practical and effective mechanism we

have for allocating resources, balancing competing interests, and resolving conflicts of all kinds. Current and future managers, lawyers, politicians, policy makers, and consumers all want and need to know how to get better outcomes in their negotiations and disputes. Negotiation is, perhaps now more than ever, an essential skill for success in all areas of life. Why, then, do so many people continue to negotiate ineffectively? In our work as educators and consultants, one of the biggest problems we've encountered is the pervasive belief that people are either good or bad at negotiation, and little can be done to change that. We could not disagree more. In addition, too many people—including many seasoned dealmakers—think of negotiation as being all art and no science; as a result, they rely on gut instinct or intuition as they negotiate. But gut instinct is not a strategy. Nor is "shooting from the hip" or "winging it." We offer a more systematic and effective approach. This approach leverages the latest research in negotiation and dispute resolution, the experience of thousands of our clients and executive students, and our own experience as negotiators, consultants, and educators. It has been challenged and refined in our MBA and executive education courses at the Harvard Business School and in our work with over fifty major corporations in more than twenty-five countries. The resulting framework will help you minimize your reliance on intuition, increase your understanding and use of proven strategies, and achieve superior negotiated outcomes consistently. We also aim to dispel the notion that negotiating effectively is as simple as achieving "win-win agreements." If you're like many of the executives we've worked with, you've had the experience of wanting to bargain in good faith for a mutually rewarding outcome, only to find that the other party is playing hardball, behaving unethically, or negotiating entirely in their own self-interest. Or you may have found yourself negotiating from a position of weakness, dealing with someone who was not sophisticated enough to negotiate effectively, or sitting across from someone who did not have the authority to negotiate the kind of deal you wanted. How does the "win-win" principle help you in these situations? In complex negotiations, which might include multiple parties, great uncertainty, threats of litigation, heightened emotions, and seeming irrationality, it may not even be clear what "win-win" really means. Because such complexities are commonplace, you must deal with them systematically. This book will provide you with the tools you need to do exactly that. In other words, while preserving the virtues of a win-win mind-set, we will help you understand how to strategize effectively when "win-win" won't save you. Following is a brief outline of what you will find in this book.

Part I: The Negotiator's Toolkit
In Part I, we develop a framework that you can use to analyze, prepare for, and execute almost any negotiation you might encounter. Part I also offers a toolkit of comprehensive principles, strategies, and tactics that will help you execute each stage of the deal, from before the first offer is ever made to the final agreement. It turns out that a significant percentage of the million-dollar problems that our executive clients confront have solutions that are contained in these initial chapters. Because we develop the framework and the toolkit methodically, we recommend that you read Part I straight through in the order presented.

Chapter 1: Claiming Value in Negotiation. We begin by focusing on a topic of great importance and appeal to all negotiators: how do I get the best possible deal for my side? We build our negotiation framework by analyzing a straightforward two-party negotiation in which a buyer and seller are bargaining over one issue: price. This chapter covers, among other topics: negotiation preparation, common negotiator mistakes, whether to make a first offer, responding to offers from the other party, structuring your initial offer, finding out how far you can push the other party, strategies for haggling effectively, and how to maximize not only your outcome, but also the satisfaction of both parties.

Chapter 2: Creating Value in Negotiation. Here we expand the "claiming value" framework by examining the more difficult—and more critical—task of value creation. A key insight of this chapter is that negotiators who focus only on claiming value reach worse outcomes than do those who cooperate with the other side to improve the deal for both parties. To demonstrate this, we consider a more complex negotiation in which parties are negotiating multiple issues and facing greater uncertainty. This chapter covers topics such as: strategies for value creation, a framework for negotiating efficient agreements, preparing for and executing complex negotiations, how and when to make concessions, how to learn about the other side's real interests, and what to do after the deal is signed.

Chapter 3: Investigative Negotiation. Much of what negotiators must do to create and capture value depends on their ability to obtain information from the other side. This chapter presents a powerful approach to information gathering that we call "investigative negotiation." The principles and strategies of investigative negotiation will help you discover and leverage the interests, priorities, needs, and constraints of the other party—even when that party is reluctant or unwilling to share this information.

Part II: The Psychology of Negotiation
Even experienced negotiators make mistakes when preparing and executing negotiation strategy. After all, even seasoned dealmakers are human, and all human beings are vulnerable to psychological biases—systematic and predictable departures from rationality—that can derail an otherwise sound negotiation strategy. Part II builds on cutting edge research on the psychology of negotiation and decision-making. We distill theory into the practical tools you will need to avoid these costly mistakes, and to recognize and leverage mistakes when they are made by the other side.

Chapter 4: When Rationality Fails: Biases of the Mind. In this chapter, we focus on cognitive biases—the mistakes that even the best of negotiators make because of the ways in which our minds operate. As we will illustrate, the human mind is accustomed to taking shortcuts that, while often useful for making decisions quickly, can also lead to disastrous strategic moves in negotiation.

Chapter 5: When Rationality Fails: Biases

of the Heart. Next we look at motivational biases—the mistakes we make because of our desire to view the world the way we wish it were rather than how it truly is. Unfortunately, it is possible to have a weak negotiation strategy and still feel good about yourself and your prospects for success. It is also possible to continue down the wrong path and never allow yourself to discover how and when a change in strategy is critical. Chapter 5 will help you to identify and avoid these potential pitfalls, and to see the world through a more objective and realistic lens. Chapter 6: Negotiating Rationally in an Irrational World. Here we offer still more strategies for overcoming your own biases and for leveraging the biases of others. We also explain when it is in your best interest to help the other side be less biased. Why? Because their irrationality often hurts you as well as them. Part III: Negotiating in the Real World Finally, we turn to a variety of topics that are all too often ignored in negotiation seminars and books, but which are crucial for success in real-world negotiations. How can you tell if someone is lying? How do you persuade reluctant negotiators to agree to your demands or proposals? How should you negotiate when you have little or no power? How should you incorporate ethical considerations into your negotiation strategy? How should you negotiate with your competitors, opponents, and enemies? As in the first part of the book, our insights and advice on these topics emerge from the experience of thousands of real-world negotiators and from years of systematic and scientific research on negotiation, strategic decision-making, psychology, and economics. Each of these chapters can be read as a stand-alone entity, so feel free to choose first the topics that are most relevant to your situation. Chapter 7: Strategies of Influence. It is often not enough to have a good idea, a well-structured proposal, or a great product or service to offer. You also need to know how to sell it to the other side. This chapter presents eight proven strategies of influence that will increase the likelihood that others will accept your requests, demands, offers, and proposals. Note that these strategies do not improve the merits of your case; rather, they make it more likely that the other side will say “yes”; without requiring you to change your position. Of course, you will also be the target of the other side’s influence strategies, so we provide detailed defense strategies that will defuse their attempts to manipulate your preferences and interests. Chapter 8: Blind Spots in Negotiation. Many negotiators focus too narrowly on a negotiation problem and fail to adequately consider how the context, the decisions of the other side, and the rules of the negotiation game will affect their strategy and their prospects for success. They also miss out on opportunities for changing the rules of the game to achieve better results. In this chapter, we provide specific advice on how to broaden your focus to ensure that you consider all of the elements that might come into play as you negotiate. Chapter 9: Confronting Lies and Deception. While many people identify with the notion that “honesty is the best policy”; most people admit to having lied at some point in their negotiations and virtually everyone believes that others have lied to them. In this chapter we address questions such as: What might motivate someone to lie in a negotiation? What are some of the strategic costs of lying? How can you tell if someone is lying? How can you deter people from lying to you? What should you do if you catch someone in a lie? If you are interested in telling the truth, but don’t want to lose your shirt at the bargaining table, what are some smart alternatives to lying? Chapter 10: Recognizing and Resolving Ethical Dilemmas. Many people believe that ethics are too personal and idiosyncratic to be discussed broadly or categorically. This is undoubtedly true—to a degree. Yet recent research suggests that people often behave less ethically than they themselves consider appropriate. In other cases, they are not even aware of the damage they are inflicting on others when they pursue certain strategies. And in the shadow of major corporate scandals, there’s a renewed emphasis on maintaining integrity while still achieving negotiation success. We provide a framework for thinking more carefully and comprehensively about these issues. Chapter 11: Negotiating from a Position of Weakness. This chapter is about power—and the lack of it. Most negotiators will at some point find themselves in a position of weakness with seemingly few, if any, alternatives. (Indeed, many of our executive students and clients complain that they are always negotiating from a position of weakness vis-à-vis their customers, their boss, or their spouse!) Such negotiations require careful analysis, creative thinking, and insights into how such situations can be turned around. We show how you can effectively negotiate when you lack power, and how you might be able to upset the balance of power so that you move from a position of weakness to a position of strength. Chapter 12: When Negotiations Get Ugly: Dealing with Irrationality, Distrust, Anger, Threats, and Ego. How do you negotiate when the other side appears to be entirely irrational? How do you negotiate when trust has been lost and the other party is unwilling to come to the table? How can you defuse hardball tactics such as ultimatums and threats? How should you deal with a party that is angry or one that is too proud to admit that their strategy was flawed? Our approach in this chapter recognizes that most important negotiations include at least some of these difficulties and that ignoring them is not only extremely ineffective, but often entirely impossible. Chapter 13: When Not to Negotiate. There are occasions when negotiation is not the answer. If you have limited power and few prospects for success, you might do surprisingly better by giving up what little power you have. Or, if the costs of negotiating are high, you might want to find cheaper alternatives to making the deal or resolving the dispute. In other instances, negotiation itself may be a barrier to creating the kind of relationship you want with the other side. But what should you be doing instead? In this chapter, we provide you with a framework for distinguishing between the times when you should be playing the negotiation game and the times when you should be changing the game. Chapter 14: The Path to Genius. Genius in negotiation requires knowledge, understanding, and mindful practice. This book can give you the first and help you

with the second, but the third will be largely up to you. We end by considering what happens when you turn the last page and head back into the real world. Which mind-set will maximize your ability to put your learning into practice? What habits will you want to cultivate in the weeks and months ahead? What expectations should you have of yourself and others? How might you help others in your organization negotiate more effectively? A sentiment once expressed by Ralph Waldo Emerson captures the essence of our message: "Man hopes; Genius creates." When the task is difficult, when obstacles arise, when negotiations are unraveling, and when it looks as if the deal is lost, most negotiators will panic or pray. Negotiation geniuses, in contrast, will only strengthen their resolve to formulate and execute sound negotiation strategy. We hope that this book convinces you to do the latter, and provides you with the insights and tools you will need to negotiate like a genius at the bargaining table; and beyond.