

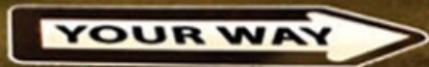
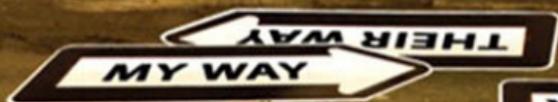
PEARSON



Horacio Falcão

VALUE NEGOTIATION

HOW TO FINALLY GET THE WIN-WIN RIGHT



Value Negotiation

How to Finally Get the Win-Win Right

Horacio Falcão

INSEAD

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dedication

To Camila, Luca and Mateus

*The three most fun, enriching and loving negotiations of my life.
That our lives together continue to be the most meaningful
value we can exchange.*

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foreword

Not knowing how to negotiate is no longer an option – for anyone. On a daily basis, negotiating is a way to succeed and survive. Ranging from dealing with an apartment landlord to thinking about how to ask for a pay raise to dealing with clients to introducing a new product in the market to merging multinational corporations to settling a border dispute among two nations, it is all about the same objective – finding the way forward.

To succeed, we all need a set of basic communication tools that can help us get to where we want to go. In this book, Horacio Falcão illustrates how to put these tools to use and, therefore, how to thrive. Throughout his book, Falcão writes with the great talent that he has successfully applied to complex negotiations and training sessions through the years. He honed his skills while working with governments, corporations and international institutions and organizations, and is now one of the most successful negotiators in the field.

These were the inherent qualities that Horacio displayed when he came to work for me as my first employee fresh out of Harvard Law School more than a dozen years ago. The techniques he takes to the next level in this book are the ones I myself have used in part to facilitate multinational transactions, including projects that involved working with international energy corporations, finding new business opportunities worth millions of dollars and working with governments.

The processes elaborated in this book were particularly pivotal in resolving a border dispute between Peru and Ecuador that had been languishing for 53 years. To finally usher in a peaceful settlement between Peru and Ecuador, our team focused on identifying the common interests of their governments, including discussing the millions of dollars in defense spending as a result of the tensions between the two countries. We then brainstormed on how a resolution of the conflict would unlock the support of international organizations that would invest in each country. To come to terms, we were thus able to bring the parties to question the most fundamental assumptions that had kept the two nations apart for more than five decades.

Central to this book is that negotiating is a process that creates and finds value, and gets individuals as much of what they want as is possible in a realistic world. Yet deep within, where nuances and subtleties combine at times to make a situation far different than it first appears, negotiations can also change the reality so that new areas of agreement are possible. A good negotiator will have studied the areas of concern and aims to leave all parties open to new possibilities. The objective is to turn a possible competitive situation into a collaborative effort in which value can be created.

From the start, parties share their interests with each other, and in reacting to those interests, we begin to understand, create value, and move forward toward an agreement. Understanding the interests of all involved is at the core of successful negotiations. A negotiator must ask, “Are we looking at this from every angle?” If one is not fully aware of the interests of the other party, one cannot possibly know what might satisfy that person or understand the lines beyond which someone will not go.

At any point in life successful negotiations can be highly rewarding. They can culminate in a situation in which everyone wins, often through personal growth. Being creative and resourceful, negotiators can give rise to so much. They can bring into being new atmospheres for progress. They can generate hope. They can leverage personal power to raise the creative capacities of individuals in constructive ways. In doing so, those engaged in negotiations also become more aware of their surroundings.

However complicated and competitive the world might have become in our lifetimes and regardless of how more extraordinary the times ahead might surprise us, these techniques can help improve the conditions around us. Well-executed negotiations can make for a better future. This is the promise of improving your negotiation skills. You can do good and do well! You owe it to yourself and to those with whom you will interact to be the best negotiator you can be. Get started today. In so doing, you help yourself to be a better person and make the world a better place.

Francisco Sanchez
Former Special Assistant to the President of the United States &
Former US Assistant Secretary of Transportation

preface

In 1981, Roger Fisher and William Ury published *Getting to Yes* (GTY) and started a negotiation thinking and practice revolution. For the first time, the basic win-win process ideas were laid out for the common person. The book defined a common terminology that allowed many to dive into the field with much interest and care.

Since then negotiation became a mainstream course in all respectable law or business schools around the world. Naturally many articles and books followed by numerous negotiators and academics. As expected, not even Fisher or Ury's later texts aligned themselves 100% behind GTY, since their thinking about negotiation also evolved. Nevertheless, for the past 30 years, many new ideas on win-win and other approaches to negotiation were produced.

As new articles and books came along, a lot of ideas were either building up or correcting the original GTY theory. As academics, we do have a mission of helping the world to become a better place through knowledge. Our negotiation knowledge is built for the betterment of society and human relationships through value creation and superior conflict management. And indeed, negotiation academics are working really hard in generating new ideas to improve negotiation on a daily basis. So what is the problem?

The field of negotiation is already starting to get too broad and complicated for those who devote ourselves to studying it. What to say of the normal businessperson, lawyer or politician who negotiates everyday? How can they take the time to understand the connections and trade-offs of all different negotiation advices? How can they read over 50 books and twice as many articles to improve their negotiation effectiveness? The answer is they *cannot*. We, academics, are starting to build our negotiation ivory tower and isolating ourselves from the world.

As expected, in building our own ivory tower, our effort were uncoordinated. Some of our advice conflicts with one another. Some were produced under different assumptions or understandings. Some were very good but incoherent when paired together. Some were just too specific and thus unimportant in practice. In sum, like a Babel tower, we are all reaching for the skies, but we are starting to speak different languages.

So, for all our effort in generating new knowledge, there were not many who devoted themselves to make sense of all that was there. For all the advice and improvements on win-win negotiations, no one took the time to connect the dots into a coherent and consistent picture. This book aims to do just that: scan the negotiation advances since GTY to produce a coherent system that can be easily learned and applied by negotiators. We call this the Value Negotiation system.

Value Negotiation

This project started as my students from the MBA, EMBA and executive education course repeatedly asked for book recommendations and additional readings. My answers usually indicated either too much reading or missed the mark. The truth was

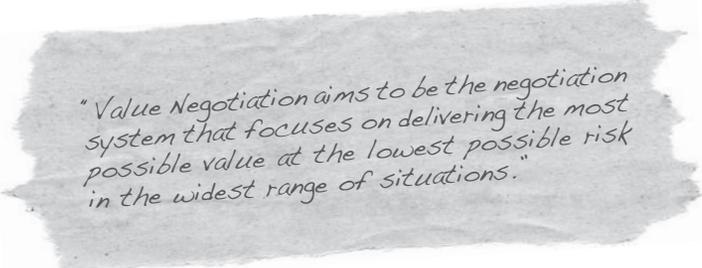
that there was no single book that satisfied their needs. The few who endured a long list of readings returned with questions on inconsistent and conflicting advice. Some were even more confused than before. Many asked me to write a book based on what they saw in my classes. Inspired and encouraged by them, I decided to take the first step.

Soon after, I found myself asking how could I add something new to the field and satisfy the needs of my students. First, the students' request was to consolidate the latest research and technology on negotiation in a single book. Second, many other basic negotiation books or textbooks were excellent repositories of theory, but the students were asking for something more pragmatic. Third, many negotiation books show negotiation as a single scientific truth and yet seemingly oscillate between win-lose and win-win advice. This oscillation reduces strategic focus and makes it harder for those who want to learn how to consistently negotiate win-win.

But why Value Negotiation? This project initial idea was to consolidate the GTY theory after 30 years of developments in a "Getting To Yes II". However, it soon became apparent that this could neither be done nor titled as such. First, not being one of the original authors of GTY, there was no legitimacy to take on this responsibility and use this title. Additionally, the further the book developed, the more the fundamentals were tweaked and adjusted to enhance focus, coherence and impact.

After learning and teaching negotiation and interacting with some of the best negotiation experts in the world for about 15 years, several gaps and contradictions as well as new ideas within principled negotiation became apparent. Further research revealed some answers from different authors or disciplines. However, the more I wrote of the book, the more I realized that some of the holes and gap and even inconsistencies, required a whole step back and rethink. It was only after I was forced to look deep into them that I realized that a new system was evolving. Together with the reasons above, it was just fair to call it something else, while acknowledging its principled negotiation origins.

So what is Value Negotiation? First of all, it is no attempt to reinvent the wheel. Think of it as Principled Negotiation 2.0, which evolved through further practitioner experiences, reflective thinking and academic research. It is a new branch of win-win which is hopefully the best current response to negotiation challenges. Value negotiation uses win-win processes (or strategies) to give negotiators a clear and relentless focus on value.



"Value Negotiation aims to be the negotiation system that focuses on delivering the most possible value at the lowest possible risk in the widest range of situations."

Value Negotiation raises awareness of our different process choices and assesses their risks/rewards to avoid blindly following absolute (and often mistaken) advice.

The Book

This book aims to help negotiators learn and consistently negotiate win-win. To do so, many difficult choices were needed. Probably the hardest one was to exclude the more complex topics such as difficult behaviors and conversations, multiparty or cross-cultural negotiations, etc. But to include them here would have meant to either write an intimidating 1000-page mammoth or to superficially gloss over them. Since we wanted a book that people would read, learn and apply, we chose to stick to the basics.

We then chose to organize it in the most intuitive possible way:

Become a Negotiator → Prepare for the Negotiation → Negotiate!

Part 1 – Become a Negotiator

Become a Negotiator is to set our assumptions and our mind to the task. If we do not understand how we think about ourselves and about negotiation, we are not ready to master either ourselves or negotiation. This also means challenging the way we currently think so that we can either consolidate or change some of our fundamental thinking structures. To become a negotiator, we need to think as one.

Part 2 – Prepare for the Negotiation

Prepare for the Negotiation has us set the right goals and develop solid strategies. The right goals will keep us focused in the middle of the turmoil of some negotiations. Solid strategies will help us make trade-offs when tough choices present themselves. And yet, no preparation would be complete without anticipating critical moments, so that we can prepare an even safer and more potentially successful negotiation.

Part 3 – Negotiate!

In **Negotiate!**, we face the moment of truth. To negotiate is to act and thus we examine which actions will give us the best possible results. First we look at the building of the bridge or the opening moment when negotiators establish a relationship and communication pattern. Second, negotiators engage in pursuing value through: value discovery – when you find out the raw material to generate value; value creation – the transformation of the raw material into higher value to the negotiators; and value claiming – the definition of the distribution of the value on the table among the negotiators. Then, we go into the Best Possible Decision phase, where the negotiators are pretty much left with a decision to close (commitment) or walk away (alternatives).

Finally we conclude by raising a discussion on negotiation power and ethics to summarize the book while adding a twist on the use of power and the role or value of ethics in negotiations.

Instructor's Package

We designed and wrote this book to allow the instructor to deliver a complete negotiation course. The instructor's package also comes with an instructor's manual and a set of 15 PowerPoint presentations.

Instructors' Manual

The instructor's manual will contain suggested class plans and activities that will include how to use the book's chapters, as well as the end-of-chapter questions and scenarios to their fullest.

Teaching Slides

A set of ready-to-use PowerPoint presentations that summarize each chapter is available. Though they can be used directly without any adaptation, they intend to serve as a basis to facilitate the instructor's preparation and implementation of this book in the classroom. With time, we hope that each instructor will evolve and interact with the presentations as to develop his or her own version of the materials.

These resources for the instructor are available via <http://www.pearsoned-asia.com/falcao>, or in the Instructor Resource Centre (IRC) at <http://vig.pearsoned.co.uk/home>. If you are in need of a login and password for the IRC, please contact your local Pearson representative.

This instructor's package will greatly aid negotiation instructors in delivering a world-class negotiation session every time he or she walks into the classroom. Please write to us with suggestions on how to improve these materials or what else could be of help. Thanks for choosing this book and good luck!

Conclusion

Value Negotiation: How to Finally Get the Win-Win Right! filters, organizes and consolidates a vast body of knowledge into a simple and practical win-win negotiation system. This book aims to assist instructors in teaching negotiation and help students everywhere become empowered and responsible negotiators to negotiate a better world one negotiation at a time. Thanks for joining us!

acknowledgments

This book has been a dream for many years. And yet a book is never the work of a person, but rather a combination of experiences and exchanges with different people and ideas. Hence, I would like to acknowledge the direct and indirect contributions of those who helped me and this book.

First and foremost, I want to thank my wife Camila and my two sons Luca and Mateus, who shared their husband and father with this book for over one year. They donated their time because they share the dream that this book can make a difference.

The African proverb “It takes a village to raise a child” could not be any truer in my case. My large extended family provided numerous social interactions as an early laboratory for the development of varied negotiation skills. Of greater influence were my mother Evangelina and my father Horacio as well as my two brothers Felipe and Fred. My grandparents were role models, who shaped my moral compass: Lou, Marina, Corintho and Bi.

But my village was much larger than that. I have always felt fortunate that I can count on my more than 15 uncles and aunts who, on many occasions, stepped up and were like a father or mother to me. Just as important are my more than 20 cousins who made me feel part of a very large and close-knit family and are like siblings to me. After getting married, my village grew even larger as my wife’s family welcomed me as one of their own. Each of you taught me something, and for that I will always be grateful.

A few of my personal friends were extremely influential in supporting my dreams, goals, and choices, whether good or bad. I was also lucky to have been introduced to negotiation within an extraordinary community of people around and connected to the Harvard Program on Negotiation, CMI, CMG and MWI. I am proud to be able to call many of them colleagues and friends. Our years together have shaped much of my ideas and beliefs on negotiation. I appreciate your continued support and our enriching exchanges.

Within the negotiation community, there are a few people whom I would like to highlight. Firstly, I would like to specially acknowledge the influence of Professor Roger Fisher, who was a dedicated mentor and continues to be an inspiration. He showed me that we can believe in, are responsible for, and can work towards a better world through people, relationships and negotiation. This book is a tribute to his life’s work, and I cannot thank him enough.

Second, I would like to acknowledge Francisco Sanchez; once a boss, then a partner, and always a friend. Where Roger was the guru and at times too far away to emulate, Francisco was the senior colleague, closer and still inspiring. He showed me that we can still make a difference even when times are dire and others do not care, and that courage is not the absence of fear, but instead comes from caring despite the odds and being willing to confront our fears.

Thanks also to INSEAD, who took a chance on me at the beginning of my career. Since then my colleagues and the institution have continuously invested in and helped me disseminate Value Negotiation around the world. Many of my INSEAD colleagues helped me by providing an article, raising an issue or answering a question on their field of expertise. The easy access to so much knowledge was a blessing that certainly raised the quality of this book.

Thanks also to Pearson Education, who stood by me during all the time that it took to write this book. Their support included many things, least of which was their openness and flexibility to negotiate a win-win contract with a unique value proposition to support this book.

Thanks to my clients and students who gave me the courage to pursue win-win solutions where most would not look or dare to go. You inspired me to constantly return to the drawing board and research new questions, think of new ideas and test new solutions. You contributed enormously to this book. I wish I could list you all by name, but fortunately you are so many that I cannot do it.

Thanks to those who devoted considerable time to turn my drafts into much better drafts and then a book: Andrew Lee, Boyd Fuller, Ayse Onculer, Wei Lian, Lo Hwei Shan, Monica Gupta, Nuno Delicado and Charley Bush. Thanks for your time, effort, ideas, attention to detail, careful feedback and candidness.

To all of you listed above, thank you very much. I truly hope this book is proof enough that your influence was and will continue to be important to me and to our readers as well.

Finally, thanks for those who came before us and helped shape the better world we live in. A world where win-win is possible and a necessary evolutionary step.

Horacio Falcão

01 Introduction

On Choices and Focus

In the movie *Fearless* (2006), Jet Li plays Huo Yuanjia, founder of the Chin Woo Athletic Association, a kung fu school. Based on a true story, the movie fictionalizes some of Huo Yuanjia's famous successes in the early 20th century. He is claimed to have defeated US, European and Japanese fighters in publicized events at a time when China's power was seen as eroding. He became a national hero who is still remembered to this day.

In the movie, Huo Yuanjia accepts an invitation to join his Japanese challenger, Anno Tanaka, for tea. While there, they have a debate over the value of martial arts. Tanaka believes the goal of a martial artist is to defeat an opponent. Huo replies that the goal of studying martial arts is self-improvement. He argues that challenge matches were less about winning or losing but more about providing a practitioner with feedback on where to focus future learning.

Tanaka asks Huo which martial art is the best, to which he explains that he does not believe in such a thing. There is no best martial art, just different ways to become a master. The two fighters leave their meeting with a newfound respect for each other before an exciting fight scene.

Why start a negotiation book talking about a Chinese martial artist and his philosophy? First, negotiation is also wrongly seen by many as a way to beat an opponent; instead, it is a process to pursue value which involves other people. Second, as much as it is an activity, learning to negotiate is also a journey of self-improvement. Negotiation requires people to become negotiators, masters of themselves, so as to naturally master this process.

Finally, there are many great negotiation systems out there and thus many different ways to become a great negotiator. We claim nothing different. We do believe that different people can better learn and thus benefit from different negotiation schools. Having several schools gives people choices. Readers can hopefully find one that better aligns with their values, personalities and learning styles. This book is a proposal of a new choice.

Though there are various paths, we believe that choosing and sticking to one is important to get results. If we follow several diets and exercise programs, we actually follow none. If we swim all strokes at the same time, we sink. If we speak several languages at once, no one understands us. We believe in choosing and focusing on one negotiating system, then practicing it as well as we can. Like Huo Yuanjia said, it is not the school that makes the difference, but how good we become within it.

Of course, we believe that the value negotiation system which this book introduces is an excellent way for many to become master negotiators. Value negotiation is a flexible, robust, comprehensive and practical system, though not necessarily an easy one. Value negotiation is a process approach. Whenever appropriate, it coherently incorporates lessons from other approaches into its system.

If these values make sense to you, then we want to invite you to join us in learning our system: the value negotiation approach.

Why Value Negotiation?

Value negotiation aims to be the negotiation system that focuses on delivering the most possible value at the least possible risk in the widest range of situations.

Value negotiation is not an attempt to reinvent the wheel, neither does it claim to be a revolutionary change in negotiation theory. It is a new branch of win-win negotiation, more specifically of the Principled Negotiation approach introduced in the bestseller *Getting to Yes* from Fisher, Ury and Patton. Value negotiation is intended as a step forward from principled negotiation and thus relies heavily on it. Think of value negotiation as principled negotiation 2.0. In that light, value negotiation and this book in particular benefit from standing on the shoulders of giants which came before us.

The value proposition of this book is not too ambitious in its innovative content, but aims to be an evolutionary step in the “right” direction. It draws from and attempts to consolidate the theory, thinking and practice of many, many others. To this end, we had to eventually make choices among dissenting views or fill in gaps when a single theory fell short of answering a question. This meant that we were forced to evolve. Value negotiation originated from further practitioner experiences, reflective thinking and academic research in adding new questions, tensions and solutions to principled negotiation.

As could be expected, this book benefits from several ideas found in other publications. Thus, one added value of this book is to present such advice in a summarized and coordinated system that is easy to use. The system was then named “value negotiation”. This book presents the value negotiation system in a comprehensive yet simple way. Value negotiation aspires to be an international, theoretically sound and practitioner-friendly system that facilitates the study, learning and practice of negotiation.

- **Comprehensive yet concise** – After reading *Getting to Yes*, many ask: “What should I read next?” The answer is not obvious. Principled negotiation, for example, is not contained in one book only but spread over hundreds of books and articles. The reader is alone in bundling and sorting the different and sometimes conflicting advice into a single and hopefully coherent process. Most people have no time to invest in such an endeavour. If you are one of them, this book aims to help you.

- **International** – Most modern negotiation theories originated in some of the best US universities. Helpful as they are, their values are US-centric. As negotiation teaching spreads around the world, there is a clear need for a more internationally robust negotiation system. Value negotiation aims to fill this need.
From line to country managers, from homemakers to CEOs, from buyers to sellers, from NGOs to governments, from small entrepreneurial start-up to large multinationals: this book covers the negotiation basics across different industries, levels, cultures, etc. Tried and tested, value negotiation is relevant, scalable and applicable to most negotiations we will ever face. Wherever you are from and wherever you negotiate, this book can help you.
- **Theoretically sound, practitioner-friendly** – Value negotiation is a theory for practitioners, thus it uses both theory and practice to deliver negotiation advice. Practical advice is grounded on theory to ensure that other practical moves consistently build on one another; theoretical advice is required to have broad and simple real-life applicability.

A Book for Negotiators

This book was written to help anyone who wants to become a better negotiator. It raises awareness of different negotiation-process choices to promote better understanding and practical solutions to different challenges. This book aims to improve our ability to craft faster, better and more sustainable outcomes.

To achieve this goal, we believe a book needs to be:

- **Simple, but applicable** – This book is the simplest, most direct and readily-actionable route to make you a better negotiator that we could come up with. We focus on broad process steps and questions, while going deep into their application.
- **Short, but to the point** – Though we wrote over 1,000 pages at the start, we have summarized and revised them to keep the book as short as possible. This meant sharing what was essential and useful in the largest number of negotiations. It also meant not sweating the small details that only occur in very few cases. Most people cannot remember or use 1,000 negotiation moves, so we have focused on the essential principles.
- **Serious, but informal** – We chose to keep an active, conversational and personal style, so as to make reading a simpler and more fluid exercise. We often ask questions, tell stories and illustrate ideas with real negotiation dialogues to help learning. For the questions, we recommend trying to answer them mentally before continuing to read. This will help you form your opinion, prepare to engage in a dialogue, argue with the book and even with yourself. At the end, you learn more.
- **Analytical, but also prescriptive** – Many books try to explain what or why things are the way they are. They teach us how to craft and understand questions. They teach us how to think within a field. Other books give advice on how we should act. They provide us answers to commonly-held questions. They instruct us on what to do in different contexts. This book attempts to help us in both thinking and acting.

- **Helpful for us, but also for them** – This book is not a secret weapon; it is publicly available after all. Instead, it aims to benefit all parties. As with nearly all win-win approaches, value negotiation is most effective if all parties apply the same advice. Thus if they learn our “tricks,” everybody can negotiate better.

A Textbook, but Different

When writing this book, we had several choices to make. Some choices led us to seek a different positioning for the book. This in turn changed some expected priorities and consequently the best way to write it.

The most important and difficult choice was to write this book for the student, not the professor. The challenge is that it is the professor who ultimately recommends the book to the student. Our assumption however is that professors already understand negotiation, but need a tool to help their students learn. We did everything we could to make this book a powerful learning tool.

We wish to highlight several key features of the book. First, it is not a textbook, but rather a mix of a textbook and a business book. **This is a workbook.** A textbook helps us learn the theoretical foundations and systems that equip us to think on our own within a given field such as negotiation. A workbook tries to teach the basic applications of a field in a pragmatic way. A good workbook is supposed to make complicated concepts and terminologies quick to understand, easy to remember and simple to use.

Second, **this is a basic negotiation workbook.** As such, we do not cover difficult behaviors and conversations, multi-party negotiations, agency problems, cross-cultural negotiations, management of negotiation teams, etc. Though we started off trying to cover all these topics in one book, we quickly realized we would have to keep them superficial. Therefore, we decided to retain such topics for a second book.

Third, **we wrote for accessible learning.** So students everywhere could learn from this book, we sought out stories and examples from around the world. These contain international names, locations and currencies to demonstrate the cross-cultural applicability of this book. We also chose stories or examples that most students would have seen in their lives such as negotiations over a car, an apartment or salary. Most of us are not CEOs and thus cannot relate to such examples found in so many negotiation books. We have kept it close and relevant to most people so that more can learn.

Fourth, **we wrote for pragmatic learning.** This workbook is for the student of negotiation who needs to negotiate tomorrow, be it an MBA or law graduate, an undergraduate or an executive. This book was written to help them become negotiators, which meant taking away what added less value to them when learning how to negotiate.

- We consistently chose a simple and direct language. Many definitions and terminologies were changed to something simpler and more accessible. As a criterion, we looked for pragmatic explanations that could be mentioned in a real negotiation. This means that some definitions may seem less theoretically precise.

- We do not extensively name academics or describe research done. Of course, credit is given to them in the bibliography. We found students to be less interested in this information and we did not want anything affecting their attention from learning negotiation.
- At the end of the day, most students want to know what and how do we negotiate. We try to answer these questions as directly as we can.

Fifth, we **wrote to make learning easy and simple**. Most students struggle with too many readings from too many topics. This workbook makes negotiation a quick, fun and memorable part of their homework. It illustrates concepts and breaks down theory for quicker understanding, more profound learning and easier application.

- **Dialogues** – These were summarized to emphasize key learning points and to avoid wasting unnecessary space and reading time. It is true that many negotiations will not necessarily be as direct as some examples. Many dialogues also have a Diagnostics column to assist the reader in following the different negotiation moves behind what is said. Through this, students can develop their own diagnostic ability.
- **Summaries** – We believe in learning through repetition. And while we would be naïve not to think that some students may only read the summary, we prefer that to not reading at all. However, for the vast majority that will read in detail, our one-page summaries help to refresh what was just covered. It may be too much to expect a student to read the same chapter twice. But students can refer to these summaries after reading a chapter or just before the next lesson as a refresher.

Finally, we **learn less by only reading text**. This book is not intended as an intellectual exercise, but as a learning partner with whom we interact and work. We learn better by tackling the material through a combination of reading, class discussions, videos, exercises, role-plays, etc. This book has several exercises to invite the student to revise and rethink what was discussed in the chapter:

- **Questions** – These have various difficulty levels (easy, medium and difficult) so professors can tailor the assignments to the level of their students. They are used as revision to clarify concepts and ideas for application.
- **Scenarios** – These also have several difficulty levels. They have less simple or straightforward answers than the questions, and invite us to rethink or challenge what we have learned in the chapter. Scenarios can also be used to stimulate debates in class.

In sum, this workbook was written to maximize the learning for negotiation students around the world.

Value Negotiation's Basic Assumptions

Value negotiation is based on a few core assumptions that we need to be aware of. Every analysis or recommendation will be made with these in mind:

1. **Negotiation is everywhere** – Negotiations go beyond formal business transactions or political meetings. They include interactions with friends and family, meetings with colleagues, casual corridor conversations, etc.
2. **Negotiation is a skill** – Some wrongly believe we are either “born with it or not!” Even those without what could be called a “natural talent” can improve their negotiation skills with the proper training and practice. Anyone can.
3. **We can try to negotiate everything** – It is not that we will always succeed, but at least we can try. We do not want to miss on golden opportunities by assuming they are non-negotiable before even trying.
4. **Negotiation is not a magic pill** – Despite the benefits negotiation can deliver, no single process can solve all problems. The goal is to increase our success rate. Knowing when to stop and pursue other courses of action is also important.
5. **There is no single, universal “best” way to negotiate** – Each person is different. Each negotiation is different. There is no single right answer, but several choices available and many potentially good answers.
6. **From strategy to implementation** – A chain is only as strong as its weakest link. The best strategic idea is only as good as the negotiator’s ability to implement it. Conversely, great implementation has little impact if not part of a sound strategy. Negotiation strategy and implementation go hand-in-hand.

These are the broader assumptions behind value negotiation. Across the chapters, many other specific assumptions will be shared in their particular contexts. Another assumption holds special importance in value negotiation: every move in a negotiation has potential risks and potential rewards.

‘Never Accept Their First Offer’

We strongly believe that negotiation advice containing words such as “always” or “never” are misleading in two ways:

1. They prevent negotiators from thinking intelligently and behaving appropriately about the particular situation in front of them; and
2. They are *always* wrong!

How do we choose among the different options? How can we know the best possible negotiation move? We like to think about negotiation based on a “Risk and Reward analysis” to help us:

- Remember to **analyse every element** of a negotiation and their risks and rewards;
- Assess **our (and their) risk appetite** within the particularities of each negotiation;
- Realize that there are **no necessarily right or wrong answers**;

- Accept that there are **trade-offs** between the different strategies and actions; and
- Appreciate that **different people** will react differently even if we diagnose and behave in a similar way.

This book concentrates on helping us think in terms of risk and reward and provides best practices based on them: strategies and techniques with the highest potential reward at minimum risk in the widest range of situations. These low-cost moves can be attempted numerous times with a high success rate. Even if they fail, we are not exposed to big risks or setbacks. But we do not stop there. We also look into other strategies and moves to reduce risks further.

The use of risk and reward is a big part of the international aspect of this book. By thinking in terms of risk and reward, we are preparing our minds to appreciate the nuances of different negotiation moves. Different moves will carry different risks and rewards in different settings and cultures. As a result, the value negotiator is culturally aware and prepared to negotiate inside and outside his or her cultural box.

Reading is Readying

Reading this negotiation book will raise anyone's intuition and preparedness on how to negotiate better. It is the beginning step to really improving oneself as a negotiator. By reading up, we are but readying ourselves to learn more. It is helpful to use this book as a central tool in a learning journey, which includes:

- **Reading** – Read; but argue with the text, challenge and write notes and questions, summarize concepts, pages and chapters, list different ways to communicate the examples and dialogues, do the exercises. Make this book unique!
- **Lecturing** – Approach a professor, mentor or facilitator to clarify or go deeper on particular topics. Listen to their way of presenting them, their logic, their divergences and convergences with the book. Ask them or even ourselves: What is different? Why? How do I apply it? How does it relate to my experiences?
- **Doing** – For each chapter, try to do exercises, role-plays or apply the concepts to a real-life negotiation. If possible, take risks, do different things and worry less about the outcome at first. Develop the ability to diagnose the specific negotiation process at any given time.
- **Observing** – Watch, listen and learn! Watch dialogues in movies, read them in books, listen to people talk. Gain an awareness of why things are being said, their impact, good and bad ways of saying the same thing, the meaning between-the-lines, etc.
- **Discussing** – If you are at a forum where discussions are welcome, participate! Invite further discussion on interesting points, ask to understand better, include examples of successes and failures, and interact — the energy of participating helps to conserve learning.
- **Reflecting** – Action without reflection is just repetition without learning. After different exercises, role-plays or real negotiations, it helps to sit back and reflect on what was done and why. Think about what worked well and consciously repeat it. Think about what to change so as to improve on it.

A Few Words on Practicing Skills

When reading this book, beware of the temptation of thinking “I’ve already heard about this” or “I already know this,” and then skipping or paying less attention to it. Because true as such thoughts may be, do we put them in practice? And if we do, are we satisfied with how we are doing so? If not, it may be because there is a difference between knowing how to do it and actually doing it. The latter requires a lot more effort and practice to become part of our negotiation skills toolbox. Instead of dismissing the topic, make a point of revisiting and practicing it as soon as possible.

Neil Rackham, in his book *Spin Selling*, gives us a few pointers on practicing. He tells us to (1) **pick one new skill at a time to practice**. We need to resist the temptation to try too many things at once. When learning to juggle, most people start with one ball. To start with more prevents us from focusing on the basics before moving on to complex moves.

Next, (2) **focus on quantity, not quality**. Perfection is our worst enemy at first. To only do something new when we expect perfection from it is to never do it. Pick as many opportunities to practice as possible, because with quantity comes more opportunities for reflection and learning. The more we do, the more aware we become, the more our mental muscles strengthen, the more progress we see. Quantity creates a fertile environment for quality to emerge.

Wearing new shoes may hurt our feet. Instead of throwing them away, the advice is normally to break them in. Over time, they mould around our feet and may become our most comfortable pair. The same goes for negotiation skills: if at first a new suggestion seems awkward, (3) **stick to it at least three times**. Give a chance for it to be broken in and to become second nature. If we still see no improvement, then discard the suggestion.

To do something for the first time in front of many people and with a lot of money at stake is a challenging situation, to say the least. So finally, (4) **practice new skills in safe environments first**. In the same way that pilots use flight simulators, negotiators use role-plays. In the same way that young athletes enter minor competitions first, new skills are best practiced in small-stakes negotiations first.

How This Book is Organized

Almost everyone who picks up a negotiation book is looking for better results. However, we do not improve results just by concentrating on them. Results in negotiation are usually consequences of our actions. Actions are often chosen based on a strategy. The chosen strategy is thought to be the best way to achieve a certain pre-defined goal. The goal is usually set based on our assumptions or implicit view of negotiations.

We are usually trying to get the best possible result when we negotiate. To achieve this, we need to look at and do our best towards our assumptions, goals, strategies and actions. This book takes that into account and is organized in hopefully the most intuitive way possible:

Part 1 – Become a Negotiator

- Chapter 2 – Understanding Negotiation
- Chapter 3 – Challenge Your Negotiation Foundations

We believe that we should first ready ourselves to negotiate. *Become a negotiator* is to set our assumptions and our mind to the task. The unprepared land may not grow even the best of seeds. If we do not understand how we think about ourselves and about negotiation, we are not ready to master either. To become a negotiator, we need to think like one.

This also means challenging the way we currently think so that we can either consolidate or change some of our fundamental thought structures. If we do not set the right foundation, no matter the amount of correct technique, we will not attain success. It is like driving down the wrong road: no matter how fast or skilfully we drive, we will not get to our desired destination. Once we are ready as an individual, it is time to prepare for the various negotiations.

Part 2 – Prepare for the Negotiation

- Chapter 4 – Choose Your Goal
- Chapter 5 – Choose Your Strategy
- Chapter 6 – Anticipate the Critical Moments

Prepare for the Negotiation has us set the right goals and develop solid strategies. The right goals will keep us focused in the middle of the turmoil of some negotiations. Solid strategies will help us make trade-offs when tough choices present themselves. Without proper preparation, we are but flags that drift with the wind — our outcomes are more a result of luck than skill.

And yet, no preparation would be complete without anticipating critical moments, the times in which a negotiation is most at risk. Critical moments allow us to foresee danger so that we can prepare an even safer and more potentially successful negotiation.

Part 3 – Negotiate!

- Build the Bridge
 - Chapter 7 – Relationship
 - Chapter 8 – Communication
 - Chapter 9 – Powerful Openings
- Value Pursuit
 - Chapter 10 – Value Discovery
 - Chapter 11 – Value Creation
 - Chapter 12 – Value Claiming
- Make the Best Possible Decision
 - Chapter 13 – Commitment
 - Chapter 14 – Alternatives
 - Chapter 15 – Conclusion: On Power and Ethics

Then, the time comes to *Negotiate!* This is indeed the moment of truth, when all our awareness and preparation is tested. To negotiate is to act. The understanding of which actions will give us the best possible results is examined at great length to cover all relevant aspects of the negotiation process. Naturally, this forms the largest part of the book.

We start by covering what is often the first part of a negotiation, the building of the bridge. This is the opening moment when negotiators establish a relationship and communication pattern. After that, the negotiators engage actively in pursuing value. The main phases of pursuing maximum value with minimum risk are: value discovery (when you find out raw materials to generate value); value creation (transforming the raw materials into higher value for the negotiators); and value-claiming (distributing the value on the table among the negotiators).

Finally, we proceed to the Best Possible Decision phase, where the negotiators are pretty much left with a decision to close the deal or walk away. We discuss how to ensure we arrive at this stage with a maximum chance of obtaining positive commitment. We also cover how to protect ourselves from and manage effectively the possibilities of either party walking away.

We close with a discussion on negotiation power and ethics to bring together the learning of all prior chapters.

But enough with the introductions already. Let the negotiations begin!

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