

Effective Negotiation

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THE INTERNATIONAL BESTSELLER

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YES

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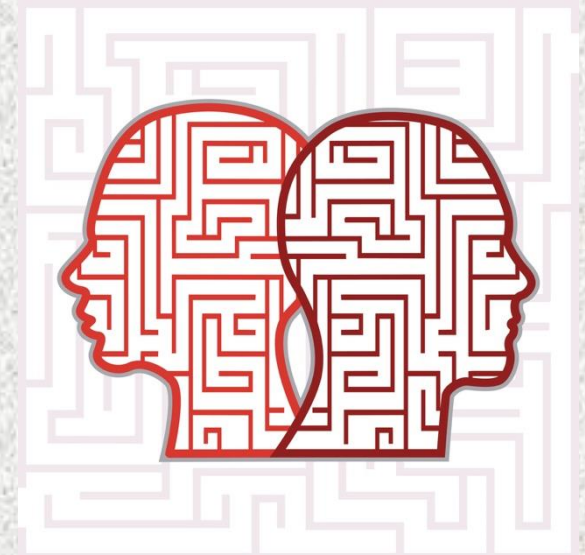
**NEGOTIATING AGREEMENT
WITHOUT GIVING IN**

ROGER FISHER AND WILLIAM URY
AND FOR THE REVISED EDITIONS BRUCE PATTON
OF THE HARVARD NEGOTIATION PROJECT 

Negotiation Definition

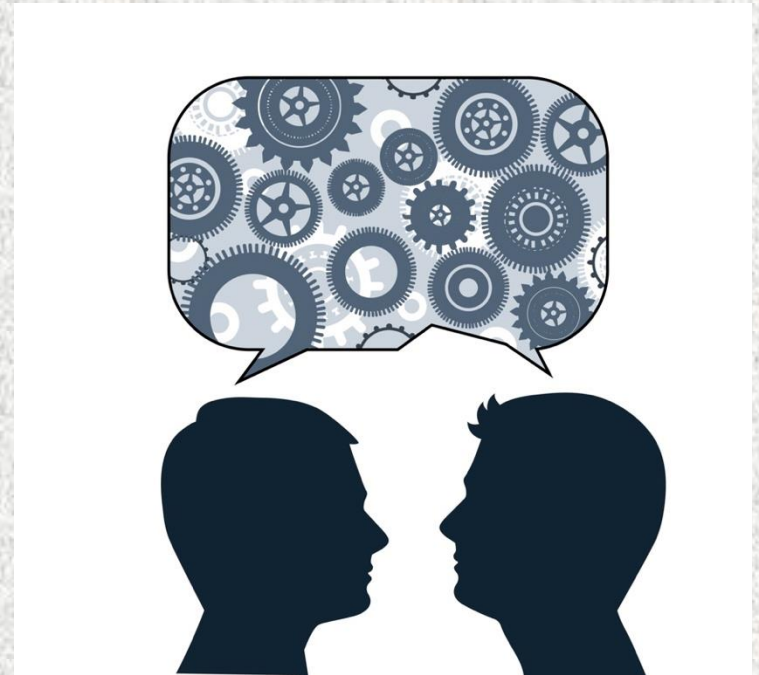
> Negotiation is ...

communication aimed at reaching an agreement satisfying interests

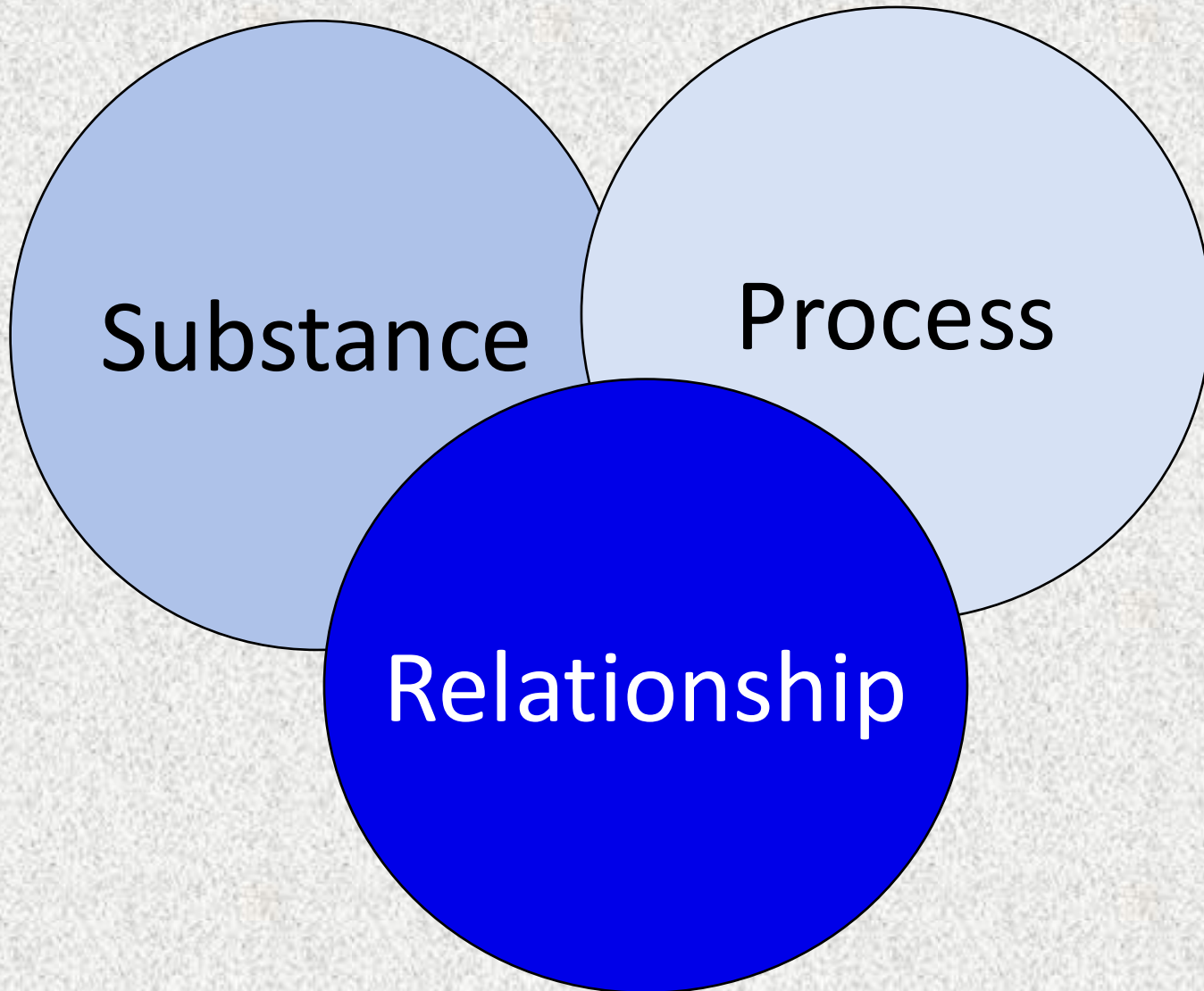


Frequency of Negotiations

- > Internally – with colleagues, employees, supervisors
- > Externally – with customers, regulators, vendors
- > With family and friends



Three Key Aspects of Negotiation



Substance

Process

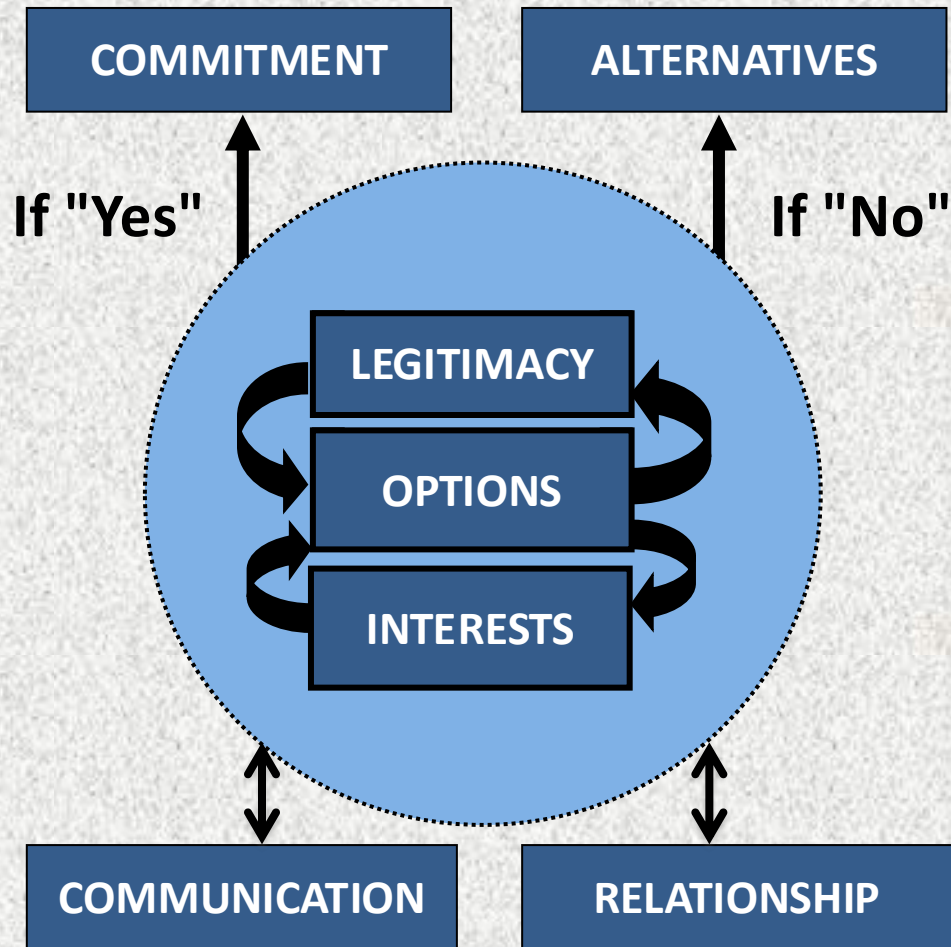
Relationship

Negotiation Framework

Make wise choices

Develop creative solutions

Build trust and rapport



Element Definitions

INTERESTS

- The needs, concerns, goals, desires, and fears that motivate us to negotiate

OPTIONS

- Possible agreements, solutions, deals to which the parties might agree

ALTERNATIVES

- The walk-away possibilities that each party has if no agreement is reached BATNA – Best Agreement to a Negotiated Agreement

LEGITIMACY

- Sources of fairness or reasonableness for assessing options, e.g, laws, regulations, institutional norms, market price, expert or third party opinion, references

Element Definitions

RELATIONSHIP

- The way the parties perceive their interaction - especially the degree of trust, rapport, and ability to manage differences

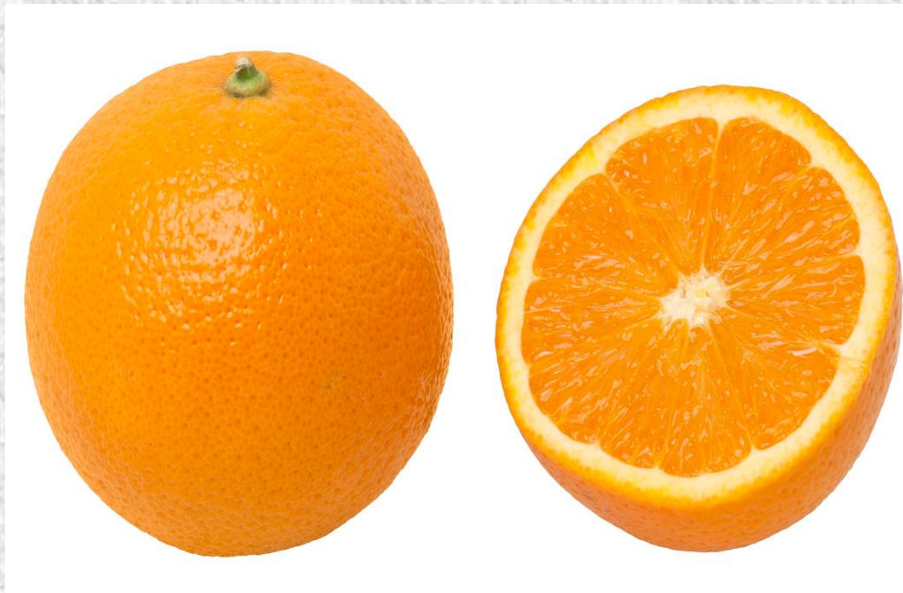
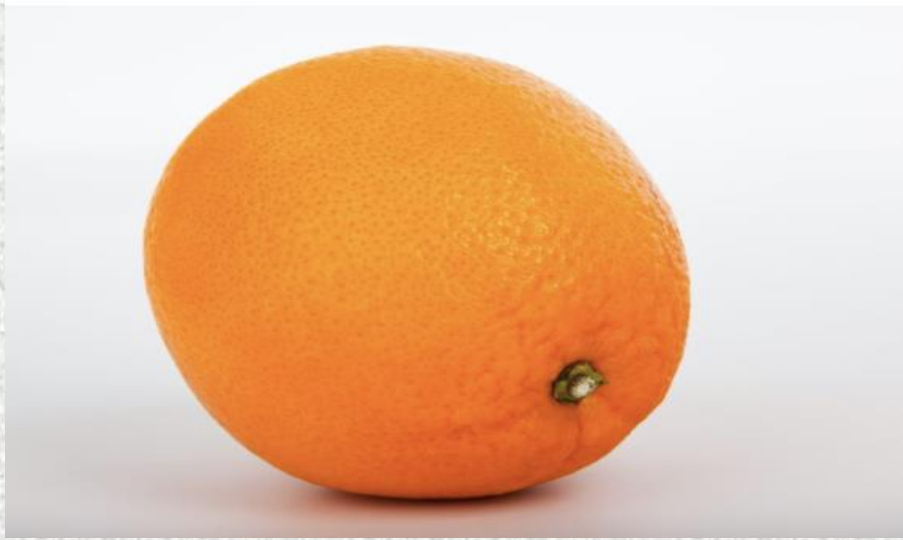
COMMUNICATION

- The exchange of thoughts, messages, or information by speech, writing, physical cues, or other actions

COMMITMENT

- Final specific, thorough, clear, mutual agreement (makes the Option operational)

Positions vs Interests



Positions vs. Interests

Positions are one **Option** -- one possible agreement

Interests are the underlying motivations -- needs, concerns

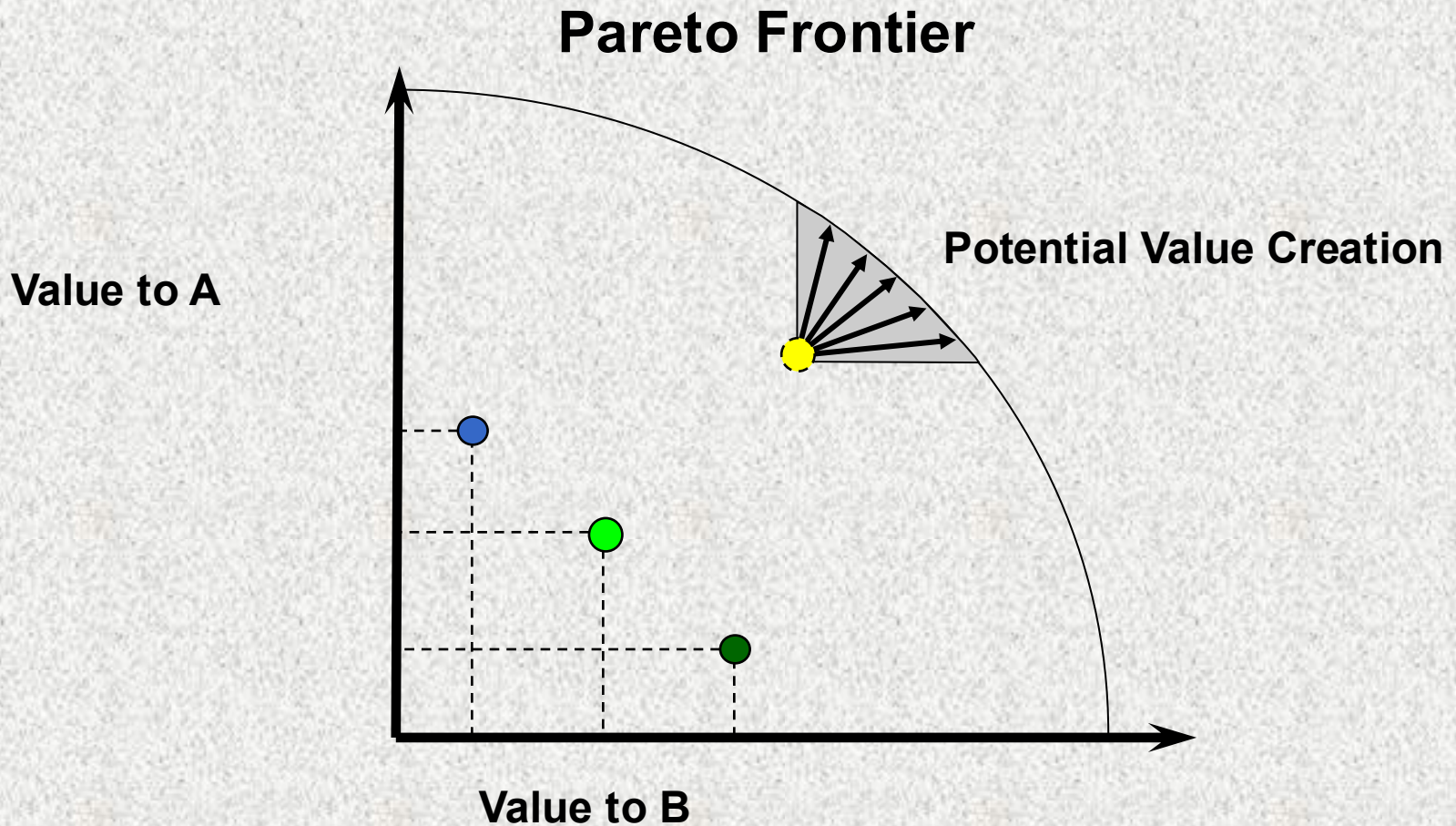
Interests are things I want and need that can be satisfied in a range of ways

- In positional bargaining, I negotiate to meet my initial demand or position
- In interest-based negotiation, I negotiate to satisfy my underlying interests

Mindset and Assumptions

- ***Negotiation is about Competition***
- ***Negotiation is about Cooperation***

Creating Value



Interests vs Positions

▶ Interests vs. Positions

- Positions are demands, offers, solutions - specific options
- Interests are the underlying needs, wants, concerns, motivations which could be satisfied in a variety of ways

▶ Advice:

- Focus on interests - theirs and yours
- Consider wide variety of interests - not just the obvious
- Consider different resources and capabilities
- Develop creative options
- Ask more questions

Efficient Preparation

- Interests – yours and theirs
- Resources/capabilities – yours and theirs
- Legitimacy – standards, benchmarks
- Alternatives – yours and theirs
- Options – different deals/offers

Efficient Preparation

■ Our Interests

- Funding
- Advice
- Access to new markets

■ Our Resources/Capabilities

- ◆ Your technology – IP (patents, etc.)
- ◆ Your engineers
- ◆ Your market knowledge

■ Legitimacy/Benchmarks

- ◆ Prior sales/contracts/investors
- ◆ Expert verification
- ◆ Prior successful exits

■ Their Interests

- ◆ Return on investment
- ◆ Access to new technology
- ◆ Comply with regulations

■ Their Resources/Capabilities

- ◆ Access to capital
- ◆ Access to other investors
- ◆ Experience in silicon valley

■ Legitimacy/Benchmarks

- ◆ Prior investments
- ◆ Market comparables

Efficient Preparation

■ Our Alternatives

- Find other investors
- Get a loan
- Fund through sales

■ Their Alternatives

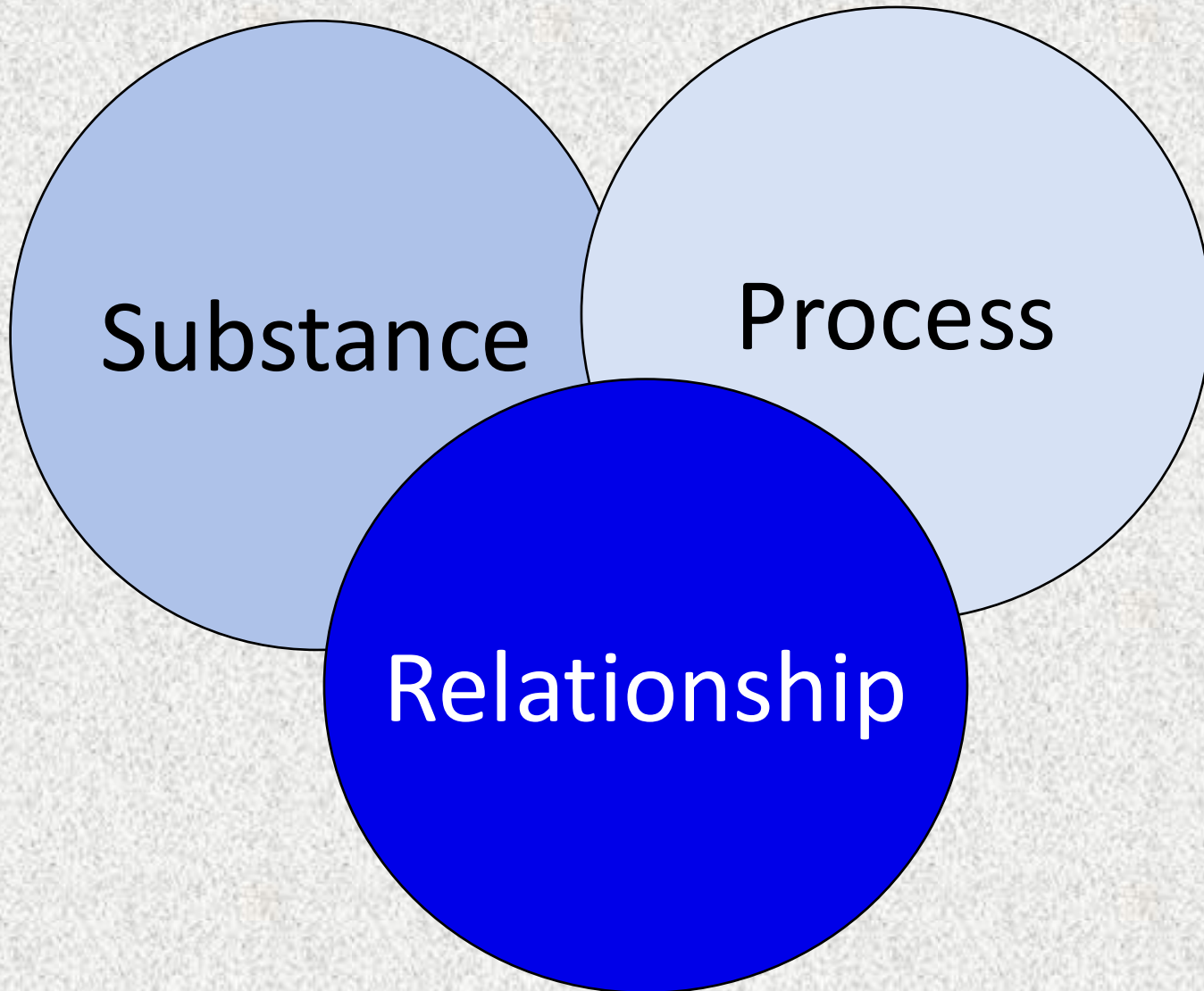
- ◆ Invest in other companies
- ◆ Not invest in this space

Options/Agreements

(potential deals/offers)

- Valuation/pricing (economics)
- IP ownership
- Investor rights and protection
- Governance management and control
- Exits and control

Three Key Aspects of Negotiation



Substance

Process

Relationship

Listening – Key Skill

- Skilled negotiators ask twice as many questions as average negotiators ask.
- The questions are designed to elicit information - not assert a position.
- Skilled negotiators are twice as likely to test for understanding and summarize what has been discussed.

Neil Rackham and John Carlisle – The Behavior of Successful Negotiators, Journal of European Industrial Training.

Communication



Ask more questions:

Where did that number come from?

Why is that important to your client?

In addition to money, what else is important to them?

How would ending this deal now help your cash flow?

What does that mean?



Be clear in your assertions:

I based my offer on the contract signed last year.

I need to have an answer by Friday.

I have several offers to consider.

That's one option – but doing “x” helps with financing.

Common Negotiation Mistakes

Relationship:

- ✦ Not considering the impact of the negotiation on long term relationships

Communication:

- ✦ Not asking enough questions and summarizing for clarity

Interests:

- ✦ Not clearly identifying and expressing your own
- ✦ Not thinking and asking about theirs

Options:

- ✦ Not open to creative problem-solving or problem-solving too soon

Legitimacy:

- ✦ Not referencing solid reasons/benchmarks – and asking for theirs

Alternatives:

- ✦ Not carefully considering yours and theirs
- ✦ Not thinking about how to improve yours and reality-test theirs

Commitment:

- ✦ Not considering implementation and aligning expectations

Negotiation Essentials

- Prepare, prepare, prepare – don't just “wing it”
- Understand the perspectives of those with whom you are negotiating – their interests, what they think is fair (legitimacy), what they will do if they can't get agreement with you (BATNA)
- Ask more questions, summarize to test for understanding -- focus on clarity
- Don't underestimate the importance of the relationship
- Look behind positions, demands, offers for what motivates them -- positions to interests
- Clarify your own interests
- Think about creative ways (options) to satisfy their interests and yours