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HOW TO CREATE VALUE LIKE MASTER NEGOTIATORS

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Be thoroughly prepared but know when there is no deal

When media giant Viacom bought Black Entertainment Television (BET) for US\$3 billion in 2001, its founder Robert Johnson became the first African-American to be listed on the Forbes Billionaire list. What started as a US\$500,000 investment became a mighty fortune, but for Johnson, it might not have happened had his early negotiations in the 1970's gone badly.

"I knew Malone believed in entrepreneurial initiatives and in individuals helping themselves," Johnson recalls of his negotiations to recruit John Malone, known as 'the King of Cable', as an investor in BET. "Everything that I talked about with him was designed to hit these points."

"When you're looking for commonalities, you are looking for shared interests, ideologies, professional interests etc," explains **Michael Benolie**, Associate Professor of Organisational Behaviour & Human Resource at Singapore Management University (SMU). "Commonalities are what is common to both sides so both can focus on that, and connect through that. The basic assumption is: it is easier to build on commonalities than on differences."

WORKING FOR THE BEST...

What Johnson did with Malone falls under 'Compatibility', one of six dimensions Benolie describes in his latest paper 'How Master Negotiators Give, Take, And Create Value'. The other dimensions are:

- Creativity and Resilience;
- Both sides of the table;
- No deal;
- Take it or leave it; and
- Homework

The 'Homework' dimension is about being totally prepared, and it should be obvious to anyone intending to be successful not just in negotiating but in general. However, Benolie cites a study

of 250 executives involved in mergers and acquisitions (M&A) where due diligence efforts failed to uncover critical issues. As Benoliel writes, “preparation and planning is a serious matter not to be underestimated”. Or as former U.S. Secretary of State Jim Baker said of ‘the rule of 5Ps’ taught to him by his father: Prior Preparation Prevents Poor Performance.

Being prepared also helps a negotiator excel in the “Both sides of the table” dimension. According to former Israeli President Shimon Peres, “I try to map in my mind the interests and the difficulties that the other side might have and invest a great deal of thought on how to overcome them.” In negotiations with France, he developed arguments to convince his French counterparts that it was in France’s best interests to support Israel.

“Negotiating from both sides of the table is about trying to understand the mindset of the other side,” Benoliel tells *Perspectives @SMU*. “It is about understanding where the other side is coming from in terms of goals, interests, fears, risk level, and things the other side can or cannot do.”

...AND PREPARING FOR THE WORST

Despite the most thorough preparations and being able to seek commonalities and negotiate from both sides of the table, negotiations by their nature cause friction and disagreement. When talks grind to a halt, Benoliel urges negotiators to be creative and resilient, and understand the nature of the impasse.

“Is it related to personalities? Is it related to the issues? That has to be diagnosed first,” Benoliel urges. “Often, an impasse happens because of a fixation on a single issue, such as price. One idea to resolve an impasse is to move away from that specific issue. In complex negotiations, there may be many issues bundled together. The idea here would be to unbundle the issues.”

He adds, “Sometimes you have to change the composition of the negotiating team if there is an impasse. Sometimes it’s about giving negotiators more time to digest what you want. When you throw an idea out there, people don’t accept it right away. You can use time rather strategically and don’t rush the process.”

However, there will come a point where there is no more room to compromise, and the frustration becomes unbearable. Negotiators might feel tempted to issue an ultimatum or adopt a ‘take it or leave it’ stance, but Benoliel warns against such behaviour.

“Generally, it is suggested not to do that, and that threats and ultimatums do not work. However, there may be a point where you have to bring the negotiation to a point of ‘go or no go’. Ultimatums should not be used casually or frequently. Master negotiators will tell you it’s something to be used sparingly.

“This is not to say you should never use them. To every negotiation, there must be a finality. You cannot negotiate for seven years. If you see it going on and on, you have to bring it to a finality. Also, threats should not be presented as such, but as constructive ways for negotiations to be ended. The idea is: use it sparingly, rarely, and in a smart way.”

DEAL OR NO DEAL?

Regardless of whatever happens during negotiations, the final question remains the same: Do we have a deal?

“You don’t want to waste time when there is no hope for a deal,” Benoliel says. “What differentiates a highly experienced negotiator from the not-so-experienced one is that the experienced negotiator can see that things go around in circles. Inexperienced negotiators have

a harder time realising that there is no deal, and then waste time trying to create one when it's not there.

“No deal is better than a bad deal, but sometimes it is difficult to walk away from a bad deal. People have a bias to making a deal. It's very difficult to walk away from the negotiation process, but people just have to let it go and swallow the sunk costs.”

Michael Benoliel is the Programme Director of 'Advanced Negotiation Strategies', one of the SMU's Executive Development programmes. Find out more at <http://exd.smu.edu.sg/programmes/doing-deal-negotiations-masterclass>.