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### How to be a Top-Gun Deal Maker

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# How to be a Top-Gun Deal Maker

by: [Michael Benoliel](#)

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In the late 1970s, while working as a cable industry lobbyist in Washington, Robert Johnson realized that African Americans, a group representing a lot of consumer buying power, were not collectively served by a dedicated cable television channel. This fact represented a tremendous business opportunity to anyone with significant investment capital.

Johnson didn't have big money at the time. But through industry meetings, he knew John Malone, the so-called "King of Cable." And since Malone had money to spare, Johnson set out to convince the cable magnate to invest in his plan to create Black Entertainment Television (BET).

To launch his venture, Johnson figured he needed about half a million dollars in start-up funds. When ready to pitch his idea, he jumped on a plane to Denver to present his business plan to Malone. It was the biggest negotiation of Johnson's career, but it took less than an hour for the industry king to bite.

When all was said and done, Malone didn't just want to help finance BET as a lender. He also wanted a 20 per cent ownership stake. After a one-page agreement was drawn up, Johnson walked out the door with a cheque for US\$500,000. Twenty-two years later, BET was sold to Viacom for more than two billion dollars.

In an interview for my research on best practises in negotiation, Johnson noted that he had sold Malone by intentionally appealing to things that were important to both men. "I knew Malone believed in entrepreneurial initiatives and in individuals helping themselves and not relying on the government to help them," he said, "and so everything that I talked about with him was designed to hit these points. I had to convince him that I shared his value system."

Most negotiators try to get the ball rolling by focusing on differences and incompatibilities, a tendency known as the incompatibility bias. With Malone, Johnson focused on compatibilities and building on similarities. And that is what makes him a master negotiator.

When it comes to negotiating, attitudes and approaches vary more than many people think. Based on numerous interviews with top deal makers (in business, diplomacy, sports and labour), this paper highlights how the best in the business achieve results.

## **ALWAYS BE CREATIVE AND FLEXIBLE**

Like other top-gun negotiators, former Chicago Bulls manager Jerry Krause strives to come up with a fresh approach when faced with talks so contorted that resolution seems impossible. Indeed, he made a name for himself as a negotiator when he managed to sign basketball star Dennis Rodman without regretting it in the mid-1990s.

At the time, it was easy to understand why many people thought the Bulls should take a pass on Rodman, a player known for his eccentric personality, not to mention missing games. When the five-time National Basketball Association champion entered the Naismith Memorial Basketball Hall of Fame in 2011, sportswriter Adam Fluck noted that Rodman's physical style got under plenty of Bulls's skin when he was a Detroit Pistons bad boy in the late 1980s and early 1990s. During the 1991 Eastern Conference Finals, he even managed to throw Scottie Pippen into the

stands. Rodman later clashed with teammates and the front office as a member of the San Antonio Spurs.

And as if that wasn't enough, Fluck writes, Rodman "head butted opponents on more than one occasion, dated Madonna in what became a major distraction, and missed part of his second season due to a motorcycle accident." But the Bulls needed a power forward after the departure of Horace Grant in 1994 and "Rodman was clearly the best candidate in terms of what he could do on the court."

When the Bulls sat down to talk with Rodman, the gap in expectations was huge. Rodman wanted a significant fixed-amount contract. The Bulls wanted his talent, but were not willing to risk a lot of money on his personality and reliability. This led to a long stalemate.

But Krause got creative, not frustrated.

Instead of offering the contract that Rodman had initially demanded, Krause tabled a deal that offered low base pay (to limit team financial risk), but rewarded performance in individual games, which created an incentive for Rodman to play ball. As a result, the Bulls got a dependable basketball star while Rodman actually earned more money than he had initially asked for at the start of contract talks.

Creativity and flexible are equally important in overcoming deadlocked negotiations in the business world, says former 3Com chair Eric Benhamou, adding that deals requiring a creative solution tend to provide the most satisfaction. "Just when you thought you were headed to a brick wall toward a no-deal, some other angle is revealed, and you find a way to accomplish your objectives and also meet the objectives of the other side without giving up much."

The need for creativity, of course, is often obvious and expected. What separates master negotiators from the rest of the pack is the willingness to stay at the table when doing so seems pointless. Instead of getting frustrated by the wide gaps between negotiating parties, the best negotiators remain focused on unbundling complex issues and developing risk-sharing schemes.

## **UNDERSTANDING THE OTHER SIDE**

Being creative and flexible will only serve you well if you understand what makes the other side tick. Keep in mind that that the deal between the Bulls and Rodman hinged on more than just creativity and resilience — it succeeded because the proposed contract offered both sides real benefits. As noted by sports agent Leigh Steinberg, negotiators from inside and outside the world of sports all come to the table with interests, aspirations, capabilities and constraints, and so they typically will not "do things against their self-interests." As a result, coming to terms with the other side requires seeing the world as your counterpart sees it.

As former U.S Secretary of Defense Robert McNamara admitted in the documentary film "The Fog of War," America's failure in Vietnam was partly due to the fact that Washington never understood the Vietnamese well enough. In other words, America might have done better had it looked at itself through the opposition's eyes in order to understand the thinking behind the other side's decisions and actions.

But according to former U.S. Secretary of State James Baker — known as the man who made Washington work — this is never easy because people are self-centered. "They are preoccupied with what they need and want and pay much less attention to what the other side needs and wants," Baker says.

Simply put, really understanding the people sitting across the table is another thing that separates top negotiators from the pack, and this takes significant time and effort. “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,” says Shimon Peres, former president of Israel (2007 to 2014).

A Polish-born statesman with more than 60 years of diplomatic and political negotiation experience, Peres became an expert on France before approaching the E.U. nation to support Israel on the world stage. He knew that just listing why his nation needed support would not make a compelling enough argument to convince the French to support his nation. So Peres studied France’s needs in depth in order to get inside the heads of the French officials, which allowed him to explain why it was in France’s best interests to support Israel.

To develop the ability to see things from the other side, Kathryn Anderson, former vice president of AT&T, suggests that negotiators prepare by mentally bargaining from both sides of the table.

### **BE PREPARED TO SAY “NO DEAL”**

After the success with BET, Johnson expanded his business interests. But not all his deal making went as well as it had with the King of Cable. When negotiating a record-label venture with a young and talented musician, for example, he was surprised when asked to forgo any non-related music industry investment opportunities. “I was putting up all the money and giving him a controlling interest in the business,” Johnson recalls. “I had to have the right to invest in other record companies if I wanted.”

Johnson told his potential partner that there was no way he could agree to promise not to ever invest in another record label. “Then I have to get the right to buy you out,” countered the young artist. Johnson was again puzzled. “If you are going to insist on that, then go and find three million dollars from somebody else. There is not going to be a deal,” he said.

Although Johnson was prepared to walk, it wasn’t necessary. After drawing a line, he softened his punch and skillfully triggered a turning point in the talks by noting the obvious. Johnson told his future partner that he was currently only interested in one record label. “I like you,” he said. “But I just can’t give you that kind of control over my business interests.” That was all it took to make the deal.

Because they are biased towards making deals, many negotiators never prepare themselves mentally to walk away from the table. But the no-deal option should always be considered because not every deal is worth making. Carlos Gutierrez, the former CEO of Kellogg, knew his bottom line when looking to buy Keebler. “Even though this was a deal that I desperately wanted, I conditioned myself mentally that I might not have it.” And that, he says, “helped me to stand firm on my price.”

### **DON’T SAY “TAKE IT OR LEAVE IT” UNLESS YOU MEAN IT**

Ambassador Charlene Barshefsky, America’s top trade negotiator from 1997 to 2001, has a long list of accomplishments, ranging from negotiating pioneering accords with foreign countries and the creation of the Free Trade Area of the Americas zone to the historic agreement that opened up China’s markets and facilitated the Asian nation’s World Trade Organization entry. As a confident negotiator, Barshefsky doesn’t have much time for ultimatums, which are used too casually and too frequently to put pressure on the other side. She especially doesn’t like threats issued by individuals with ridiculous positions. Nevertheless, she never responds with a “How dare you?” or “Your views are preposterous.”

So what does Barshefsky do when threatened? Sometimes she tries to disarm the other side's aggression with humour. And sometimes she doesn't say a word. In the latter case, she just sits quietly, not looking scared or excited or even interested. After facing her blank expression for just a few minutes, ultimatum-givers tend to resume talks as if nobody had ever issued a take-it-or-leave-it statement.

Master negotiators deal with ultimatums in different ways. Kenneth Feinberg, a Washington lawyer specializing in mediation and alternative dispute resolution (and former Special Master of the September 11th Victim Compensation Fund), will "pooh-pooh" any threat made in mediation before respectfully asking that it be withdrawn. Richard Trumka, president of the American Federation of Labor and Congress of Industrial Organizations, will simply continue the negotiation process.

Sumner Redstone, chairman of CBS and Viacom, lets his feet do the talking when an ultimatum rears its ugly head. That, at least, is what the media mogul did when pursuing the acquisition of Paramount Pictures. After potential investment partners threatened to back another bidder if he didn't agree to hand over 50 per cent ownership of Viacom in return for their support, Redstone didn't argue. He simply got up and walked out of the room.

But while they may respond differently to threats and ultimatums, master negotiators all refrain from responding with hostility, which tends to make a bad situation spiral out of control. Recognizing their destructive power, master negotiators also refrain from lightly issuing threats and ultimatums of their own.

### **FOLLOW THE "5P'S" RULE**

Homework isn't just for school kids. As far as master negotiators are concerned, preparation and planning is a serious matter not to be underestimated. "I am high on substance, low on drama," says Barshefsky. She doesn't pound the table or make threats to win an argument. Mastery of substantive issues is the centrepiece of her negotiating style.

Baker also believes in meticulous preparation, which helped him get much of Ronald Reagan's agenda through a hostile Congress, bring Arab nations and Israel to the peace table for the first time in modern history and negotiate a peaceful end to the Cold War, not to mention become the gold standard of White House chiefs of staff. He calls doing your homework following the "rule of 5P's," because his father always insisted "prior preparation prevents poor performance."

Unfortunately, many negotiators do not do their homework. "You'd be surprised by how many negotiators don't know what they want with the kind of precision that a negotiation demands," says Barshefsky, noting that this often leads to "no deals or bad deals."

Lack of preparation isn't just an issue in political and trade negotiations. According to Steinberg, it isn't uncommon for parties involved in negotiating big-money sports contracts to sit down at the table virtually unprepared. A recent private-sector study revealed that weak due diligence is also relatively common in corporate negotiations, including large-scale mergers and acquisitions.

As noted above, master negotiators share many attitudes and approaches to deal making. They first focus on similarities and commonalities and deal with differences later. They recognize that a wide gap in interests calls for resilience and creative value creation. They share a spirit of cooperation and rarely resort to destructive threats and ultimatums. Despite being focused on harmonizing interests and striking a deal, they recognize the fragility of the deal-making process and remain conditioned to walk away from the table if necessary. And most importantly, they never underestimate the value of continuous planning and preparation.

Simply put, master negotiators do their homework because they follow Napoleon's military doctrine of adjusting plans with changes in circumstances. Like Napoleon's military genius, mastery of negotiation stems from being both a meticulous planner and a flexible improviser.

### **About the Author**

Michael Benoliel is an Associate Professor of Organizational Behaviour and Human Resources Practice at the Lee Kong Chian School of Business, Singapore Management University. He is the editor of *Negotiation Excellence: Successful Deal Making* (2011, 2015) and the author of *Done Deal* (2005). He has been providing negotiation services to corporations including: Accor; British Petroleum; Advanced Micro Devices; Pfizer, Henkel, AG; Turkish Airlines, Fuji-Xerox; Shell; Prudential; and Keppel. Among his teaching awards are the **Most Outstanding Faculty Member Award**, Executive MBA, Class of 2012 and 2015.